Goal 6: Establish Management Excellence

Performance Goals

Financial Integrity and Management

The Department of Education's annual financial statements have earned an unqualified or "clean" opinion for four consecutive years, after having achieved only one clean opinion previously. We demonstrate to the American public that we account accurately for the dollars supporting federal education programs.

Strategic Human Capital Management

The Department is ensuring that a highly skilled work force will carry out the responsibilities of managing federal education programs for years to come through participation in federal activities to speed the hiring process and the implementation of performance standards for employees based on strategic plan objectives. A human capital deployment index established during 2005 sets a robust benchmark against which our future work force development efforts can be measured.

Information Technology Management

The Department is playing a leading role in federal initiatives to extend the use of electronic communication in delivering public services to Americans. These efforts include the increasing use of electronic applications in our discretionary grant competitions.

Customer Service for Student Financial Assistance

The Department is committed to enabling access to a quality education for all Americans, and the provision of financial aid to help millions of citizens complete a postsecondary degree is a particularly important customer service function. We are sustaining previous success in meeting the needs of aid applicants and recipients, and we are preparing improvements to service functions that have not produced expected levels of customer satisfaction.

Budget and Performance Integration

The Department is improving performance measures and management functions in order to demonstrate effectiveness across the majority of Department programs. Our progress on ensuring effectiveness was slower than anticipated for FY 2005, emphasizing the urgency of the task at hand.

Faith-Based and Community Organization Grantees

The emergence of faith-based and community organizations among the pool of grant applicants has reinforced the need for the Department to treat all applicants equitably, regardless of their level of experience in the application process. Novice applicants, many of whom represent these emergent organizations, are proving to be successful in winning grant awards in programs most amenable to their participation.

Goal 6: Establish Management Excellence

Key Measures

The Office of Management and Budget has required all 16 Cabinet-level departments and 10 other major federal agencies to report quarterly on their progress toward demonstrating administrative excellence. The *President's Management Agenda* comprises five major initiatives designed to assure Americans of the efficient use of federal funds and the effective responsiveness of the federal government to their needs.

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

Financial Integrity and Management

One major initiative of the *President's Management Agenda* is Improved Financial Performance. In December 2003, the Department of Education became the first Cabinet-level agency to achieve the Office of Management and Budget's elite green status score in this initiative. This recognition was based on consecutive unqualified audit opinions in FY 2002 and FY 2003 and the demonstrated ability to provide timely, pertinent program performance and financial stewardship data to senior managers via the monthly internal publication, *Fast Facts.*

The Department has kept green status, earning unqualified opinions in FY 2004 and FY 2005 while remaining free of material weaknesses and maintaining a low number of reportable conditions. During FY 2005, we earned the most prestigious fiscal management honor for federal agencies, the President's Quality Award for Improved Financial Performance, based on our work of the previous year. Additionally, our FY 2003 and FY 2004 Performance and Accountability Reports both won Certificates of Excellence in Accountability Reporting from the Association of Government Accountants.

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6.1 The achievement of an unqualified audit opinion.	
Fiscal Year	**Actual**
1999	Qualified
2000	Qualified
2001	Qualified
2002	Unqualified
2003	Unqualified
2004	Unqualified
2005	Unqualified
We met our 2005 target of unqualified.	

Independent Auditors' Financial Statement and Audit Reports,
FY 1999 through FY 2005.

Analysis of Progress. Prior to FY 2002, the Department had not received an unqualified or clean audit opinion since FY 1997 and had never received an unqualified opinion from an independent audit firm. The Department has since earned four consecutive clean opinions from independent auditors. We will maintain this status in the future, as unqualified opinions assure the American public of the high quality of our financial management and reporting.

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

Related Information. The Department's annual Performance and Accountability Reports, which can be accessed at http://www.ed.gov/about/reports, contain information on each unqualified audit opinion conferred upon the Department from FY 2002 onward. Look in each report for the "Report of Independent Auditors" section.

Additional Information. Recognition of reliability in financial reporting by independent auditors signifies that the Department produces timely and accurate financial information to the President, the Congress, and the American public. Beyond the scope of the audit, we also demonstrate timeliness and quality in our various financial and program performance reports, ensuring reliable information for our senior officials to assess performance and better allocate resources for effective program management.

Strategic Human Capital Management

"Having the right people, in the right place, doing the right work at the right time" conveys the essence of a second major initiative in the *President's Management Agenda*, Strategic Management of Human Capital. Not only must the federal government compete with the private sector for top talent, but also it faces a potential shortage of experienced staff, as half of current federal employees will by 2010 be eligible either to retire or to seek early retirement. At the Department, we are approaching historic lows in total personnel, while our budget is at an all-time high. Our employees must manage increasing responsibilities while maintaining exemplary performance to guarantee the effective use of federal dollars for the benefit of America's students.

The Department made significant progress in this initiative during FY 2005. Four-fifths of our employees established effective performance standards for their current rating cycle in a timely manner. Additionally, more than 2,500 employee performance plans were reviewed

in 2005, and upon completion of the review, over 95 percent of the plans were properly aligned with the goals of the Department's *Strategic Plan 2002–2007*.

Human capital activities also serve a key function in a third major initiative of the *President's Management Agenda*, Competitive Sourcing. During FY 2005, the Department continued the implementation of new organizational structures in human resources and payments processing. These structures resulted from two competitions between private vendors and Department employee teams in which the Department employee team prevailed. Experienced staff oversee the development of more efficient operations in these business sectors, freeing up additional staff for other vital administrative tasks.

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6.2 Index of quality human capital performance management activities.	
Fiscal Year	**Actual**
2005	**72**
We established a baseline in 2005.	

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

Analysis of Progress. The Department has initial results in FY 2005 on a new index of human capital performance, based on an average of three equally weighted elements. The first element is the percentage of employee performance plans with effective performance standards entered into the Education Department Performance Appraisal System (EDPAS) prior to the beginning of the new rating cycle, and 79 percent of all required employee plans were so entered. The second element is the percentage of employees subject to EDPAS with documented ratings of record in the Federal Personnel/Payroll System (FPPS) within 30 days after the close of the rating cycle just ended, and 85 percent of employees had documented ratings in FPPS within this time frame. The last element is the percentage of employee performance award dollars paid to employees who received outstanding ratings in the EDPAS cycle most recently completed. As of September 30, 2005, 51 percent of award dollars had been paid to those employees.

With an approach now in place to capture three key components of human capital performance aligned with ongoing work force development efforts, the Department will establish ambitious improvement targets above the baseline in subsequent years.

Data Quality. The Department's Office of Management has expressed concern that the first component of the index is an insufficient indicator, as there is no follow-up verification included in the number to ensure that an employee's performance plan was discussed with management and signed by the employee. New procedures and software support are being put in place to encourage compliance and increase data integrity.

Information Technology Management

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

of our customer transactions on an electronic platform because of the versatility, convenience, speed, and cost efficiency with which public business can be transacted in this medium. To ensure the security of our data, we are nearing the satisfactory completion of certification and accreditation of our information technology systems.

The Department has played a leading role in initiatives to simplify federal government grant application and award processes. We have been recommended as a servicer in the Grants Management Line of Business project, which if approved will establish the Department as a grant administration service center for multiple agencies. We have also actively participated in Grants.gov, an effort to direct all search, application, and reporting functions for federal grants through a single portal.

6.3 The percentage of discretionary grant programs providing online application capability.	
Fiscal Year	**Actual**
2000	5
2001	20
2002	29
2003	57
2004	77
2005	**86**
We exceeded our 2005 target of 78.	

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

Analysis of Progress. In 2005, 120 of 142 discretionary grant competitions provided an electronic method by which interested parties could submit applications. Additionally, 72 Department programs required electronic submission for all applicants, more than double the 2004 total.

The Office of Management and Budget has requested that agencies begin full migration of all discretionary grant competitions to the federal Grants.gov platform to provide a one-stop shop for finding and applying for federal grants. Accordingly, the Department continued to move competitions away from the internal e-Application system and toward Grants.gov, a process begun in 2004. The Department intends to migrate all competitions to Grants.gov by FY 2007, including competitions for programs currently not using electronic means.

Data Quality. The data are based on the 142 competitions held by the Department's discretionary grant programs that held competitions during FY 2005. These programs may elect to use the Department's internal e-Application system or the federal cross-agency Grants.gov platform. Formula grant programs, which include most large grants to states provided under *No Child Left Behind*, are not competed and therefore not included in this measure.

Target Context. The FY 2005 target was an extrapolation of trend data from previous years. Subsequent targets will be aligned with the Department's plan, as approved by the Office of Management and Budget, to compete more discretionary awards via the federal cross-agency Grants.gov initiative.

Related Information. Information regarding e-Application can be accessed at http://e-grants.ed.gov. Information regarding Grants.gov can be accessed at http://www.grants.gov/.

Customer Service for Student Financial Assistance

A major foundation of the *President's Management Agenda* is that government must be focused on the citizens it serves, and student financial assistance programs unquestionably comprise the busiest area of Department customer service activity. In overseeing a student loan portfolio comprising about $400 billion and exceeding 26 million borrowers, and in managing the Pell Grant program that provided more than $15 billion in FY 2005 for low-income postsecondary students, we demonstrate the quality level of our customer service activities before a very large audience. Thus, our customer service performance measures focus on various aspects of service delivery within student financial assistance operations.

The Department's Common Origination and Disbursement System received increased scores in the American Customer Satisfaction Index Survey in FY 2005 over FY 2004. Scores for other student financial assistance services remained relatively unchanged from a year ago, but all our indexed services compare favorably in customer satisfaction with similar governmental and private-sector organizations, often exceeding them. We will draw upon survey results to improve customer satisfaction with our student financial assistance services in FY 2006.

FY 2005 featured the removal of student aid programs from the Government Accountability Office's federal high-risk program list, as well as a green status score in a special *President's Management Agenda* category on eliminating fraud and waste from student aid programs. Additionally, the recently determined FY 2003 national student loan cohort default rate reached an all-time low of 4.5 percent, down from 5.2 percent in FY 2002, a credit to the diligent efforts of Department staff in coordination with postsecondary institutions and loan industry partners to increase student loan repayment.

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6.4 Customer service level for Free Application for Federal Student Aid (FAFSA) on the Web.	
Fiscal Year	**Actual**
2003	86
2004	81
2005	**81**
We did not meet our 2005 target of 86.	

FY 2005 American Customer Satisfaction Index Survey.

Analysis of Progress. FAFSA on the Web is the Web-based product that applicants complete to determine their eligibility for federal student aid. While the FY 2005 result falls short of the target, it compares favorably to the national satisfaction trend for similar entities. The latest score from the American Customer Satisfaction Index (ACSI) e-Commerce Index, in December 2004, which includes transactional Web sites much like the FAFSA on the Web, declined from 81 to 79.

FAFSA on the Web continues to deliver outstanding service to the customer. Its score ranks third of all the companies included in the ACSI e-Commerce Index, with only Barnes and Noble (87) and Amazon (84) ahead of it. In addition, the FAFSA on the Web score is higher than the best e-Government's eCommerce sites, which include the Social Security Administration (79), U.S. Mint (76), and Treasury Direct (72).

Customers have become accustomed to world-class Web services and continue to have high expectations in this area. Meeting these expectations is an ongoing challenge. The

Department will use results from the ACSI Survey to inform the development of the new ADvance System platform, which will include enhanced aid application functionality.

Data Quality. The Department's Office of Federal Student Aid annually conducts customer surveys of its most high-profile, highly used products and services by means of the ACSI Survey. This survey, which also provides the satisfaction scores in measures 6.5 through 6.7, is produced annually by a partnership of the National Quality Research Center (at the University of Michigan's Stephen M. Ross School of Business), CFI Group, and the American Society for Quality. The index provides a national, cross-industry, cross-public, and private-sector economic indicator, using a widely accepted methodology to obtain standardized customer satisfaction information. Survey scores are indexed on a 100-point scale. The Department began tracking the index as a measure of customer service in FY 1999 and has tracked the index each subsequent year except in 2002.

Related Information. Information on the ACSI, which is also applicable for measures 6.5 through 6.7, can be accessed at http://www.theacsi.org/overview.htm.

Additional Information. In FY 2005, nearly 90 percent of the 13.9 million federal financial aid applications were filed electronically, with 96 percent of electronic filers using FAFSA on the Web as their means of transmittal.

6.5 Customer service level for Direct Loan Servicing.	
Fiscal Year	**Actual**
2003	77
2004	78
2005	**76**
We did not meet our 2005 target of 77.	

FY 2005 American Customer Satisfaction Index Survey.

Analysis of Progress. Direct Loan Servicing, the process by which Federal Direct Student Loans are repaid, includes issuing monthly statements, collecting loan balances, and offering customer-service help and Web-based help and information. The ACSI score decline is within the confidence interval from a year ago, such that the difference is statistically insignificant. Likewise, the target is within the 2.5-point confidence interval around the current score, and thus we cannot say conclusively that the target was not met.

The Direct Loan Servicing score compares favorably with the latest ACSI private-sector banking sector average score of 75, and better than most firms in the sector, including Bank of America (72), Wells Fargo (70), and J.P. Morgan (70). The Direct Loan Servicing score is also on par with notable financial services companies like New York Life (76) and Allstate Insurance (76).

The Department will use results from the ACSI Survey to inform the development of the new Common Services for Borrowers platform, which will include enhanced Direct Loan Servicing functionality. As with other student financial assistance platforms, Common Services for Borrowers will have user interfaces via both the World Wide Web and telephone customer service representatives.

Data Quality. See measure 6.4.

Related Information. See measure 6.4.

Additional Information. The Direct Loan Servicer is handling about 6.8 million customer accounts in repayment status with a combined outstanding principal balance of $89.5 million as of September 30, 2005. This represents a 6 percent increase in outstanding balances for Direct Loan Program accounts in repayment status.

6.6 Customer service level for Common Origination and Disbursement.	
Fiscal Year	**Actual**
2003	66
2004	72
2005	**76**
We exceeded our 2005 target of 74.	

FY 2005 American Customer Satisfaction Index Survey.

Analysis of Progress. The Common Origination and Disbursement system is the mechanism that schools use to receive and account for federal funds used in the Federal Direct Student Loan and Pell Grant programs. The ACSI score is reflective of improvements initiated in the Common Origination and Disbursement system to improve customer inquiry handling, as well as a credit to the accuracy and timeliness of information on the system's Web site. The system's score exceeds the average of private-sector organizations operating within the CFI Business to Business Index (68), and is above scores of similar governmental operations like the Export-Import Bank (72), Treasury Direct (72), and GSA Advantage (69).

The Department will use results from the ACSI Survey to inform the development of the new ADvance System platform, which will include enhanced origination and disbursement functionality for both eligible programs.

Data Quality. See measure 6.4.

Related Information. See measure 6.4.

Additional Information. Approximately 5,200 schools participating in either or both eligible programs used the Common Origination and Disbursement system during FY 2005, and $26.8 billion in loans and grants were processed through the system.

6.7 Customer service level for Lender Reporting System.	
Fiscal Year	**Actual**
2003	71
2004	73
2005	**72**
We did not meet our 2005 target of 74.	

FY 2005 American Customer Satisfaction Index Survey.

Analysis of Progress. The Lender Reporting System is the mechanism that lenders and servicers use to receive interest and special allowance payments from the Department on their active Federal Family Education Loan portfolios. The ACSI score decline is within the confidence interval from a year ago, such that the difference is statistically insignificant. Likewise, the target is within the 2.5-point confidence interval around the current score, and thus we cannot say conclusively that the target was not met.

Nonetheless, the Lender Reporting System exceeds the average of private-sector organizations operating within the CFI Business to Business Index (68), and is on par with similar governmental operations like the Export-Import Bank (72), Treasury Direct (72), and GSA Advantage (69).

The Department will use results from the ACSI Survey to inform the development of any new enhancements to the Lender Reporting System. As with other student financial assistance systems, the Lender Reporting System provides user interfaces via both the World Wide Web and telephone customer service representatives.

Data Quality. See measure 6.4.

Related Information. See measure 6.4.

Budget and Performance Integration

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

The Office of Management and Budget and the Department have worked together to measure program effectiveness by means of the Program Assessment Rating Tool (PART). By analyzing a program's purpose, strategic planning functions, management capability, and demonstrated results, this tool has identified the strengths and weaknesses of both major and minor Department programs. We have used the PART process to make significant changes to ineffective programs or, in some cases, to recommend their termination. The overriding goal is that Department-funded programs demonstrate proven effectiveness. In FY 2005, we discovered that much work remains to certify the effectiveness of numerous Department programs.

6.8 The percentage of Department program dollars associated with programs reviewed under the Program Assessment Rating Tool (PART) process that demonstrate effectiveness.

Fiscal Year	Actual
2002	57
2003	47
2004	**47**
2005	Target is 57.

We did not meet our 2004 target of 56.
Data for 2005 are pending.

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

Analysis of Progress. The Department measures progress based upon programs reviewed via the PART. The Department defines effective programs as those ranked effective, moderately effective, or adequate through means of the review. For any given year, the actual data reflect the reviews conducted during or prior to that year, with total appropriations for that given year of effective programs constituting the numerator and total appropriations for that given year of all programs reviewed to date constituting the denominator.

Programs analyzed by the PART that have mandatory funding and are not subject to congressional appropriations, including the Federal Direct Student Loan Subsidies and Federal Family Education Loan Program and Liquidating accounts, are excluded from both the numerator and the denominator in the calculation.

The Department expects to see improvements in program performance information as performance measures are improved, the Department analyzes Consolidated State Performance Reports of elementary and secondary education data, the ED*Facts* analysis tools become operational, and additional program evaluations provide new findings.

Data Quality. The PART analysis began in 2002 and is conducted annually. Results become available in February each year with the release of the President's budget. Upon the release in February 2005 of the analyses completed during FY 2004, 56 Department programs have been reviewed to determine the effectiveness of their purpose, strategic planning, management, and results. These programs represent 67 percent of the FY 2004 budget for the 103 Department programs that either have been or eventually will be analyzed through use of this tool.

Target Context. While the FY 2004 result for this measure has not been presented in a previous Performance and Accountability Report*,* a score of 56 percent was included for FY 2004 in the Department's FY 2006 Program Performance Plan. This score, however, erroneously included mandatory programs not subject to congressional appropriations, and the 47 percent score shown for FY 2004 properly excludes these programs. In addition, a recalculation of appropriations for FY 2002 and FY 2003 by the Department's Budget Service has resulted in new actual numbers for those years based on the same methodology.

Related Information. Specific information about programs analyzed by the PART is available in the PART section of each goal chapter. General information about the PART can be accessed at http://www.whitehouse.gov/omb/part.

Additional Information. For 35 programs that were analyzed and subsequently received a rating of results not demonstrated, the Department has not yet collected sufficient performance data to ascertain their effectiveness. No conclusion should necessarily be drawn that these programs are ineffective. An additional six programs have received an ineffective rating via the PART, however, and thus fail to meet the Department's standard for effectiveness.

FY 2005 data will be available in February 2006 upon the release of the President's FY 2007 Budget.

Faith-Based and Community Organization Grantees

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

6.9 The difference between the success rate of faith-based and community organizations (FBCOs) and non-FBCOs in receiving federal discretionary grant awards from the Department of Education.	
Fiscal Year	**Actual**
2003	FBCO rate was 1 percentage point less.
2004	**FBCO rate was 5.5 percentage points less.**
2005	**FBCO rate was 1.6 percentage points less.**
We did better than our 2004 target of 10 percentage points less. We did better than our 2005 target of 5 percentage points less.	

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

Analysis of Progress. The Department initially calculated the success rate for faith-based organizations in three discretionary grant programs based on the FY 2003 grant cycle. This calculation indicated that such organizations were successfully awarded grants at a rate only 1 percent less than that of other applicants. Competitions included in this calculation in all years are for programs considered "amenable" by the Department, meaning that the Department determined the programs to be both open by statute and suitable to participation by faith-based and community organizations.

The amenable program base for FY 2004 and FY 2005 consisted of the Community Technology Centers Program, the Physical Education Program, and the Mentoring Program. All three programs held new competitions and made grant awards from these competitions in FY 2004. In FY 2005, all three programs made awards further down the slate to eligible applicants who had not been awarded funding in FY 2004. Given this explanation, award success rates for individual programs are as follows:

- For the Community Technology Centers Program, faith-based and community organizations had a 4 percent award success rate in FY 2004 compared to 10 percent for other entities; the success rate for faith-based and community organizations in FY 2005 was 4 percent compared to 2 percent for other entities.

- For the Physical Education Program, faith-based and community organizations had a 12 percent award success rate in FY 2004 compared to 20 percent for other entities; the success rate for faith-based and community organizations in FY 2005 was 5 percent compared to 9 percent for other entities.

- For the Mentoring Program, faith-based and community organizations had a 10 percent award success rate in FY 2004 compared to 13 percent for other entities; the success rate for faith-based and community organizations in FY 2005 was 6 percent compared to 8 percent for other entities.

Data Quality. The rate of success for faith-based and community organizations is computed as the percentage of such applicants who win discretionary grant awards via competitions. The rate of success for other applicants is computed in the same way. The target specifies the maximum rate by which faith-based and community organizations can be less successful in winning awards than other entities. The Department intends that all grant proposals be appraised on their merits without regard to the applicant's organizational identity.

Target Context. The targets for FY 2004 and FY 2005, which were established before the final FY 2003 number was known, were lower than the FY 2003 actual number, which was not tied to a target.

The established target was based on the overall federal goal to provide equal opportunity to faith-based and community organizations. However, the measure for FY 2003 only addresses the success of faith-based organizations, as community organizations were not included due to resource limitations. Community organizations are included in the count beginning in FY 2004.

Related Information. Information about grant opportunities for faith-based and community organizations can be accessed at http://www.ed.gov/fund/grant/apply/newapplicant.html.

Discontinued Strategic Measures

The following measures were discontinued after FY 2004 but were reported as pending in our *FY 2004 Performance and Accountability Report*. We report here our results. (See p. 23 for a discussion of why we discontinued measures.)

Measure		Fiscal Year	Target	Actual	Status
6.1.5	The percentage of erroneous payments	2004	Less than 2.5	0.3	Met
6.4.8	The number of material weaknesses and reportable conditions in FSA financial statements audit	2004	1	2	Not Met
6.7.1	President's Quality Award	2004	Apply for and win the award	Applied for and won the award	Met

Sources and Notes

6.1.5 U.S. Department of Education, Office of the Chief Financial Officer, contracted analysis performed by the U.S. Department of Energy's Oak Ridge National Laboratory in December 2004.

The 0.3 percent rate is the estimated grand average rate of questioned costs determined by Oak Ridge as a percentage of total expenditures for FY 2004, applying the methodology used for actual expenditures in FY 2000 through FY 2003. The methodology is based on data available from the Federal Audit Clearinghouse, the Department's Audit Accountability and Resolution Tracking System, and the Department's Grant Administration and Payment System. The scope of this project is limited to grants and excludes all federal student financial assistance programs; therefore, the 0.3 percent questioned cost rate applies in the aggregate to all Department programs outside the student financial assistance sector.

The Department's Office of Inspector General questioned parts of the Oak Ridge methodology in an April 29, 2005, memorandum. As a result, the Office of the Chief Financial Officer has extended the Oak Ridge contract both to reanalyze the data with respect to major findings of the Office of Inspector General memorandum and to perform an analysis of new information in the audit databases. The revised analysis is expected to be complete in January 2006.

The Department is performing ongoing work to reduce improper payments in risk-susceptible programs; this work is described in detail in the section of the *Performance*

and Accountability Report that summarizes the Department's compliance with the *Improper Payments Information Act of 2002*.

6.4.8   Independent Auditors' FY 2004 Federal Student Aid Financial Statement Audit Report.

In January 2005, the Office of Federal Student Aid was removed from the Government Accountability Office's list of government programs at high risk for fraud, waste, abuse, and mismanagement. This removal enabled the Department to earn a green status score in March 2005 on a program-specific initiative of the *President's Management Agenda* category, Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management. The independent auditors reported no material weaknesses and two reportable conditions in their FY 2004 Office of Federal Student Aid financial statement audit. These conditions were the same as those reported by the independent auditors in their Department of Education financial statement audit for FY 2004. Additionally, the *FY 2004 Performance and Accountability Report* incorrectly reported the number of actual material weaknesses or reportable conditions in the Office of Federal Student Aid financial statement audits for FY 2002 and FY 2003; the actual numbers were 3 and 2, respectively.

6.7.1   U.S. Department of Education, Office of Management and Office of the Chief Financial Officer.

The Department received the President's Quality Award in FY 2004 for exemplary work in the Improved Financial Performance category of the *President's Management Agenda*. The President's Quality Award is the highest honor available to federal agencies that demonstrate outstanding achievement in various internal management activities.

Goal 6: Establish Management Excellence

Performance Summary

The Department attributes the accounts below to Goal 6. In the table we provide an overview of the results of the two offices on their performance measures. (See p. 59 for our methodology of calculating the percentage of targets met, not met, and without data.) Individual performance reports are available at http://www.ed.gov/about/reports/annual/2005report/program.html. We also provide both FY 2005 appropriations and FY 2005 expenditures for each of these accounts. (See pp. 24-25 for an explanation of why appropriations and expenditures for a given year are not the same and the effect that difference has on the connection between funding and performance.)

Program Name	Appro-pria-tions†	Expen-ditures‡	Program Performance Results Percent of Targets Met, Not Met, Without Data											
	FY 2005 $ in millions	FY 2005 $ in millions	FY 2005			FY 2004			FY 2003			FY 2002		
			% Met	% Not Met	% No Data	% Met	% Not Met	% No Data	% Met	% Not Met	% No Data	% Met	% Not Met	% No Data
Office for Civil Rights	89	86	50	0	50	100	0	0	100	0	0	100	0	0
Office of Inspector General	47	50	33	67	0							54	31	15
Program Administration #	419	420	#			#			#			#		
TOTAL	**555**	*** 556**												

† Budget for each account represents function budget authority.

‡ Expenditures occur when recipients draw down funds to cover actual outlays. FY 2005 expenditures may include funds from prior years' appropriations.

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

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

* Expenditures by program do not include FY 2005 estimated accruals in the amount of $9 million.

Goal 6: Establish Management Excellence

Findings and Recommendations from
Program Evaluations, Studies, and Reports

Information that the Department uses to inform management and program improvements comes from many sources, including Department-sponsored evaluations and Government Accountability Office (GAO) reports. The following evaluation was completed during FY 2005.

Department's Compliance with the Prompt Payment Act

The *Prompt Payment Act* requires federal agencies to pay their bills on a timely basis, pay interest penalties when payments are made late, and take discounts only when payments are made by the discount date. The objectives of this audit by the Department's Office of Inspector General audit were to determine the Department's compliance with the provisions of the *Prompt Payment Act* and the adequacy of its internal controls. (See p. 192 for a summary of this report.)

Report on the Department's Compliance with the Prompt Payment Act

Report Title

Department of Education's Compliance with the Prompt Payment Act: Final Audit Report (ED-OIG/A17-E0008) September 2005.

Overview

The *Prompt Payment Act*, Public Law 97-177, requires federal agencies to pay their bills on a timely basis, pay interest penalties when payments are made late, and take discounts only when payments are made by the discount date. The objectives of the audit were to determine (1) the Department's compliance with the provisions of the *Prompt Payment Act* and (2) the adequacy of its internal controls to ensure compliance with the act. The audit disclosed that (1) incorrect receipt dates were used to calculate invoice payment due dates, (2) adjustments to the payment process are needed, and (3) annual quality control procedures need to be developed and reviews need to be conducted. The auditors project that about 3,100 invoice payments during the review period, January 1, 2004, through September 30, 2004, had underpaid interest. The auditor's estimate of the total amount of interest underpayments during the review period was no less than $175,135 and no more than $353,055.

Recommendations

- The Department should develop a special use report and prepare a written reminder to procurement staff regarding the requirements for properly annotating the date of receipt of invoices. The Department should cease combining current and overdue invoices and should strengthen controls over the invoice approval process to ensure timely request of payment.

- Prior to implementation of Oracle 11i, the Department should develop a process that would monitor and correct the recording and paying of invoices. The Department should also develop policy and procedures to ensure that an annual quality control validation review is performed.

Department's Response

- The Department concurred with most recommendations but determined that modification to the present Oracle system would not be economically practical.

- The Department will update current operating procedures to address the proper annotation of receipt of invoices.

- The Department will place greater emphasis on monitoring the timeliness of invoice payments.

- The Department will establish formal policy and procedure to ensure that prompt payment processes are validated no less frequently than annually.