

Study of Charter Schools' NAEP Results

Report Title

[*America's Charter Schools: Results From the NAEP 2003 Pilot Study*](#) (U.S. Department of Education, National Center for Education Statistics) December 2004.

Overview

The National Center for Education Statistics (NCES) conducted a pilot study of America's charter schools and their students as part of the 2003 NAEP reading and mathematics assessments of fourth-graders. The study included 150 charter schools. Charter schools have considerable variation in student and school characteristics. Because the study was a snapshot of the schools, it could not capture all of the unique characteristics of the individual charter schools. Additional information will be collected to supplement the NAEP survey information.

Findings in Reading

- There was no overall measurable difference between the reading scores of charter school students and other public school students.
- Female students in charter schools scored lower, on average, in reading than female students in other public schools.
- Charter school students eligible for free or reduced-price school lunch scored lower in reading than eligible students in other public schools.
- The reading scores for white, black, and Hispanic students in charter schools were not measurably different from those for students with the same racial/ethnic background in other public schools.

Findings in Mathematics

- Both male and female charter school students had a lower overall average score in mathematics than students in other public schools.
- The average score for charter school students who were eligible for free or reduced-price school lunch was lower than that of their peers in other public schools.
- Students who attended charter schools in central cities scored lower on average than students who attended other public schools in similar locations.
- The percentages of students at or above *Basic* and at or above *Proficient* were lower in charter schools than in other public schools.

Recommendations

The report made no recommendations.

Report on the Quality of Charter Schools' School-Level Data

Report Title

[Charter Schools: To Enhance Education's Monitoring and Research, More Charter School-Level Data Are Needed](#) (GAO-05-5) January 2005.

Overview

Under the *No Child Left Behind Act*, charter schools are subject to the same performance requirements as other public schools, but the act allows some flexibilities where permitted by state law. This report examined how states allow flexibility in design and operation, how states promote accountability for school performance and financial integrity in their charter school systems, the implications of *No Child Left Behind* for charter schools, and the role the Department plays in charter school accountability for school performance and financial integrity.

Findings

- Of the 39 states surveyed, most provided flexibility by releasing charter schools from some traditional public school requirements.
- About half of the 39 states reported having primary responsibility for enforcing school improvement actions for charter schools that did not achieve performance goals under *No Child Left Behind*, and a third reported having primary responsibility for monitoring charter schools' financial situations.
- Though the Department must ensure that charter schools receive timely payment of federal grant funds, it focuses its monitoring and data collection efforts on states rather than on individual schools.

Recommendations

- The Department should support implementation of the Performance-Based Data Management Initiative's financial performance information component to assist states in developing automated financial information systems to measure and track the disbursement of funds to the charter schools.
- The Department should require Charter School program grantees to include in their annual performance reports standard indicators of program accomplishment, especially the number of schools started through the use of grant funds.
- The Department's planned charter school impact evaluation should include an analysis of the effects of accountability practices on charter schools' performance.

Department's Response

- The Department agrees to expand its impact evaluation design to include a review of authorizers' oversight and accountability practices.
- The Department will look more closely at selected state financial information systems to assess the degree of burden in tracking financial information to the school level.
- The Department will seek to include standard indicators of program accomplishments in its annual performance report.

Evaluation of School Choice Option for the District of Columbia

Report Title

[*Evaluation of the D.C. Opportunity Scholarship Program: First Year Report on Participation*](#)
(U.S. Department of Education, Institute of Education Sciences) April 2005.

Overview

The District of Columbia School Choice Incentive Act of 2003, passed by the Congress in January 2004, established the D.C. Opportunity Scholarship Program. This is the first federal initiative to provide K–12 education vouchers to families living in the District of Columbia and having an income at or below 185 percent of the federal poverty level to enable them to send their children to private schools of choice. In SY 2004–05, applications were received from 1,848 eligible students.

Findings

- Of the 109 private schools in the District of Columbia, 58 participated in the voucher program in its first year, representing 53 percent of all private schools in the District.
- All but four of the schools made new slots available for voucher recipients.
- Four schools were willing to enroll voucher students only if they had been previously accepted to the school.
- Seventy-two percent of the eligible applicants were attending public school in SY 2003–04, while 28 percent were already attending private schools but met the statutory eligibility requirement.
- Fifty-one percent of the participating private schools were Roman Catholic, 21 percent were various non-Catholic religions, and 28 percent were independent.
- Most participating private schools served a higher proportion of students of color than nonparticipating private schools.
- About 70 percent of the participating schools charged tuitions that were under the \$7,500 maximum provided by the federal scholarship program.

Recommendations

No recommendations are available at this time. This is the first in a series of reports on the D.C. Opportunity Scholarship Program and provides an important foundation for the future analysis of program impacts.

Evaluation of the Public Charter Schools Program

Report Title

[*Evaluation of the Public Charter Schools Program: Final Report*](#) (U.S. Department of Education, Policy and Program Studies Service) November 2004.

Overview

Since 1995, the Public Charter Schools program has provided funding to plan, develop, and implement charter schools and to assist successful charter schools in disseminating best practices to other public schools. This evaluation, based on three years of data collected in SY 1999–2000, SY 2000–01, and SY 2001–02, provides a descriptive examination of the program and documents the evolution of the charter school movement.

Findings

- While growth in the number of states with charter legislation has tapered off, the amount of Public Charter Schools program awards to states has increased, and the number of charter schools continues to grow.
- State charter school offices have responsibilities to monitor charter schools, but most states have limited staff to perform these functions.
- Only one-third of charter schools automatically receive waivers from state policies and regulations, but many schools receive waivers on a case-by-case basis.
- Compared with traditional public schools, charter schools are smaller and more likely to serve minority and low-income students but less likely to serve students in special education.
- Charter schools, by design, have greater autonomy over their curricula, budgets, and teaching staff than do traditional public schools.
- Teachers in charter schools are more likely to be African-American; more likely to participate in a variety of professional development activities; and less likely to meet state certification standards than traditional public school teachers.
- While this study does not examine the effect of charter schools on student learning, in five case studies, charter schools were less likely to meet state student academic performance standards than traditional public schools.
- Charter schools are more likely than traditional public schools to have high levels of parent involvement.

Recommendations

- Future studies should focus on the extent to which charter schools serving high proportions of educationally disadvantaged students exhibit improved academic performance over time.
- States should develop an adequate infrastructure to provide administrative oversight, assistance in meeting state or federal regulations, and special education services to students with disabilities who attend charter schools.

Report on the Implementation of School Choice Provisions

Report Title

[No Child Left Behind Act: Education Needs to Provide Additional Technical Assistance and Conduct Implementation Studies for School Choice Provision](#) (GAO-05-7) December 2004.

Overview

The school choice provisions of the *No Child Left Behind Act* apply to schools that receive Title I funds and have not met state performance goals for two consecutive years. Students in such schools must be offered the choice to transfer to another school in the district. The Government Accountability Office reviewed the first two years of implementation of *No Child Left Behind* school choice options and reported to the Congress the number of Title I schools and students that have been affected nationally, the experiences of selected school districts in implementing choice, and the guidance and technical assistance provided by the Department.

Findings

- About 1 in 10 of the nation's 50,000 Title I schools were required to offer school choice in each of the first two years since enactment of the act.
- About 1 percent of eligible children, or 31,000 students, transferred under choice options in SY 2003–04.
- Proportionately lower percentages of transferring students were minority, and lower percentages were from low-income families.

Recommendations

- The Department should monitor issues related to limited classroom capacity and consider whether additional flexibility or guidance on capacity might be warranted.
- The Department should collect and disseminate examples of successful strategies to address capacity limitations and information on the costs of these strategies and assist states in developing strategies for better informing parents about school choice options. The Department should identify, for its student outcome study, the methodology that has the greatest potential to identify the effects of school choice transfer on students' academic achievement.

Department's Response

- The Department is focusing on expanding capacity for public school choice through such large discretionary grant programs as the Charter Schools Grants program, the Magnet Schools Assistance program, and the Voluntary Public School Choice program, as well as through funding to organizations to provide information and resources on choice on a national level.
- The Department assists states and districts in developing strategies for better informing parents about school choice options by collecting and disseminating best practices, and by posting tools and templates online. The Department is working to design a rigorous evaluation of student outcomes associated with the participation in the Title I school choice options.

Study of Supplemental Services

Report Title

[Case Studies of Supplemental Services Under the No Child Left Behind Act: Findings from 2003-04](#) (U.S. Department of Education, Policy and Program Studies Service) September 2005.

Overview

The *No Child Left Behind Act* provides that children from low-income families enrolled in Title I schools that have not made adequate yearly progress for three years or more receive supplemental services, including tutoring, remediation, and other academic instruction. Each state is required to develop criteria for selecting supplemental service providers and to publish a list of approved providers. School districts are responsible for notifying parents of their children's eligibility to receive supplemental services and for providing parents with information to select appropriate providers. This report presents findings from case studies conducted on a sample of six states and nine districts during SY 2003–04, the second year that the supplemental services provisions of *No Child Left Behind* had been in effect.

Findings

- The number of supplemental service providers approved for SY 2003–04 increased in all six states, in line with a nationwide increase of about 90 percent.
- State supplemental services coordinators reported that small districts and rural districts continued to be underserved, compared with urban districts.
- In SY 2003–04, the amount of Title I, Part A, allocations districts set aside for choice-related transportation and supplemental services ranged from 2 to 21 percent.
- The average district per pupil expenditure for supplemental services was \$1,408 in SY 2003–04.
- In SY 2003–04, the majority of providers interviewed for this study hired only certified teachers to staff their programs.
- Many parents reported that they had received enough information to choose good providers for their children and were satisfied with the services, while nearly as many reported that they were confused about the services available to them.

Recommendations

- Districts need guidance on ways to increase participation rates in supplemental services.
- Districts need guidance on monitoring and evaluating providers' performance and assessing provider quality and impact.
- Districts need support in refining their outreach and communications efforts to parents.
- Both districts and providers need guidance on improved payment policies that ensure providers are paid fairly when students do not attend regularly.

Report on State K–3 Reading Standards and Assessments in the Context of the Reading First Program

Report Title

[*Analysis of State K–3 Reading Standards and Assessments: Final Report*](#) (U.S. Department of Education, Policy and Program Studies Service) August 2005.

Overview

This study addresses the degree to which state reading content standards for students in grades K–3 reflect expectations for learning in five essential components of reading skills as identified in FY 2000 by the National Reading Panel: phonemic awareness, phonics, fluency, vocabulary, and text comprehension. The study also determined the extent to which state assessments administered in the K–3 grade span play a role in the measurement of Reading First outcomes. The Department is currently funding two other evaluations—a Reading First implementation study and a Reading First impact study; the reports for these will be released in 2006 and 2008.

Findings

- Reading comprehension is the most represented of the essential elements in state K–3 reading content standards, with an average of 57 standards per state.
- Most states have standards that adequately cover comprehension and phonics, while just over half of the states provide adequate coverage for vocabulary, phonemic awareness, and fluency.
- Most standards representing each essential element were judged to be placed at the appropriate grade by most states.
- All of the states make comprehension clearly visible in their organization of reading standards.
- Most states administer statewide reading assessments in grade 3, and very few do so at grades below third.
- Most states identify their grade 3 statewide reading assessments as measures of Reading First outcomes, primarily for vocabulary and comprehension.
- None of the states identifies their statewide reading assessments as outcome measures in the area of fluency, as this area requires individual assessment of children.
- States that identified their statewide reading assessments as Reading First outcome measures tended to have more reading standards that represented the five essential elements of effective reading instruction.

Recommendations

No recommendations resulted from this report.

The 21st Century Community Learning Centers National Evaluation

Report Titles

[*When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program; Final Report*](#) (U.S. Department of Education, Institute of Education Sciences) April 2005.

[*When Schools Stay Open Late: The National Evaluation of the 21st Century Community Learning Centers Program; New Findings*](#) (U.S. Department of Education, Institute of Education Sciences) October 2004.

Overview

In 1999, the Department funded a comprehensive, rigorous national evaluation of the 21st Century Community Learning Centers program. The evaluation addressed three overarching questions. (1) Did the program improve student outcomes such as supervision after school, safety after school, academic achievement, behavior, and social and emotional development? (2) What types of students benefited most from the program? (3) What were the features and characteristics of Community Learning Centers after-school programs?

Implementation Findings

- The average center serves about 200 students, is open 10 or more hours a week, and employs 12–13 staff, many of whom are teachers.
- The average center spends about \$1,000 a year per enrolled student.
- Sixty-six percent of middle schools operating Community Learning Centers are classified as high poverty, as opposed to 17 percent of middle schools nationwide.
- Fifty-seven percent of students in middle schools operating Community Learning Centers are minority, as opposed to 37 percent of students in middle schools nationwide.
- The most consistent objectives for both middle and elementary school centers are to provide a safe environment after school and to help students improve academically.

Impact Findings

- The program was shown to have had no overall impact on reading test scores or grades, but, for elementary students who had low grades at baseline, the program had a small positive impact on English grades.
- Elementary school students participating in Community Learning Centers reported feeling safer than students in the control group.
- While homework assistance was the most common activity provided by centers, the study reported no impact on the extent to which students completed homework or received help with it.
- Elementary school students participating in the program were more likely to be disciplined by teachers and suspended as a result of negative behaviors during the school day.

Recommendations

The report made no recommendations.

Report on the Participation Levels of Students with Disabilities in Statewide Assessments

Report Title

[*No Child Left Behind Act: Most Students with Disabilities Participated in Statewide Assessments, but Inclusion Options Could Be Improved*](#) (GAO-05-618) July 2005.

Overview

The Government Accountability Office (GAO) issued a report on the participation of students with disabilities in statewide assessments that provided the following information: the extent to which students with disabilities were included in statewide assessments; the issues selected states faced in implementing alternate assessments; and how the Department supports states in their efforts to assess students with disabilities. Only reading assessments were reviewed, as data for assessments in mathematics were incomplete.

Findings

- For SY 2003–04, at least 95 percent of students with disabilities participated in statewide reading assessments in 41 of the 49 states that provided data.
- Students with disabilities were most often included in regular reading assessments, and relatively few took alternate assessments.

Recommendations

- The Department should explore ways to make information on inclusion of students with disabilities in statewide assessments more accessible to users of its Web site.
- Information on alternative assessment requirements located on the *No Child Left Behind* section of the Department's Web site should be linked to information on the research, development, and use of these assessments where it occurs on other parts of the Department's Web site.
- The Department should work with states, particularly those with high exclusion rates, to explore strategies to reduce the number of students with disabilities who are excluded from the National Assessment of Educational Progress (NAEP) assessments.

Department's Response

- The Department will explore the use of "hot buttons" and links among the Web pages maintained by Department offices to increase access to information on the assessment of students with disabilities.
- The Department is exploring strategies for enhancing the participation of students with disabilities in NAEP assessments.

Evaluation of Even Start: One-Year Follow-Up

Report Title

[*Third National Even Start Evaluation: Follow-Up Findings From the Experimental Design Study*](#) (U.S. Department of Education, Institute of Education Sciences) December 2004.

Overview

The Even Start Family Literacy program addresses the basic education needs of low-income families, including parents and their children from birth through age seven, by providing a unified program of family literacy services. This study follows up a previously released study (*Third National Even Start Evaluation: Program Impacts and Implications for Improvement—2003*) that assessed the effectiveness of Even Start in a group of grantees around the country. This report presents impact analyses of follow-up data collected approximately one year after the previous study. The follow-up study examined whether giving the families the opportunity to participate in Even Start for a second year and having a longer exposure to the Even Start program would lead to larger literacy gains and to statistically significant program impacts.

Findings

- Even Start children and parents made gains on a variety of literacy assessments and other measures at follow-up, but they did not gain more than children and parents who were not in the program.

Recommendations

The report made no recommendations.

Report on State Definitions of Graduation Rates and Dissemination of Research on Dropout Interventions

Report Title

[*No Child Left Behind Act: Education Could Do More to Help States Better Define Graduation Rates and Improve Knowledge about Intervention Strategies*](#) (GAO-05-879) September 2005.

Overview

No Child Left Behind requires states to use graduation rates, along with test scores, to assess the progress of high schools in educating students. *No Child Left Behind* defines graduation rates as the percentage of students who graduate from high school with a regular diploma in the standard number of years. In this report, GAO examines the graduation rate definitions states use and how the Department helps states meet legal requirements, the factors affecting the accuracy of states' rates and the Department's role in ensuring accurate data, and how the Department identifies and disseminates intervention research on drop out prevention.

Findings

- While many states are moving to a cohort graduation rate definition, the Department has not provided guidance to all states on ways to account for select types of students impacting consistency among states in how graduation rates are calculated.
- The primary factor affecting accuracy in calculating graduation rates is student mobility.
- Fewer than half of states conducted audits of data used to calculate graduation rates resulting in data inaccuracies that may affect schools' ability to meet state graduation rate goals.
- The Department has not acted on GAO's 2002 recommendation that it evaluate and disseminate intervention research.

Recommendations

- The Department should provide information to all states on ways to account for different types of students in graduation rate calculations.
- The Department should assess the reliability of state data used to calculate interim graduation rates.
- The Department should establish a timetable to implement GAO's 2002 recommendation to evaluate and disseminate research on dropout interventions.

Department's Response

- To enhance the reliability of graduation rate data, the Department will calculate the "averaged freshman graduation rate" for each state and report this rate alongside the graduation rates reported by states.
- The Department will work with its various offices to provide additional policy guidance to states on ways to account for different types of students in graduation rate calculations.
- The Department is reviewing and identifying research on effective intervention strategies for dropout prevention for dissemination through its What Works Clearinghouse.

Report on the Implementation of Title III, Part A, English Language Instruction Programs for Limited English Proficient Students

Report Title

[Biennial Evaluation Report to Congress on the Implementation of Title III, Part A of the ESEA](#)
(U.S. Department of Education, Office of English Language Acquisition) March 2005.

Overview

Title III, Part A, of the *Elementary and Secondary Act* provides funds for English language instruction programs for limited English proficient (LEP) students through the state formula grant program. The grants support programs that help LEP students attain English proficiency, develop a high level of academic attainment in English, and meet the same standards expected of all children. The program holds states, districts, and schools accountable for meeting the state Title III annual measurable achievement objectives (AMAOs). The first biennial evaluation report covers SY 2002–03 and SY 2003–04 and is a synthesis of data reported by the 50 states, the District of Columbia, and Puerto Rico.

Findings

- For SY 2003-04, 52 states and territories reported serving a total of 1,218,238 immigrant children and youth, 827,638 who were served under the Title III program.
- Fifty-one entities reported that 316,273 certified/licensed teachers were working in language instruction education programs in SY 2003–04.
- Forty entities reported that their Title III subgrantees use both English as a second language instructional programs and bilingual instructional programs.
- All 52 entities and territories require that all teachers who teach in language instruction education programs for LEP students meet the Title III language fluency requirements.
- Of the 42 entities that provided performance data, 33 reported meeting their annual measurable achievement objectives targets for students making progress in learning English.
- Of the 45 entities that provided proficiency targets and performance data, 41 met at least some of these targets for students' attainment of English language proficiency.
- In SY 2003–04, 44 entities reported 444,451 students transitioned out or exited from language instruction education programs into mainstream classrooms, while 36 states reported that 378,903 transitioned out in SY 2002–03.

Recommendations

This report made no recommendations.

Report on Audit Processes in the Department's Office of Postsecondary Education

Report Title

[*Audit Followup Process for Office of Inspector General Internal Audits in the Office of Postsecondary Education: Final Audit Report*](#) (ED-OIG/A19F0002) September 2005.

Overview

This audit report is part of a review of the Department's internal audit follow-up processes being performed in four departmental offices. The Office of Inspector General determined that improvements are needed in the Office of Postsecondary Education's internal control over its audit follow-up process.

Findings

- Although the Office of Postsecondary Education (OPE) certified that corrective action items were completed, the office was unable to document completion of 7 of the 22 corrective action items (32 percent).
- Although OPE maintained audit resolution files, the file documentation did not support completion of 12 of the 22 corrective action items (55 percent).
- The Office of Inspector General was able to validate closure dates for 9 of the 15 supported corrective actions through documentation; OPE reported 3 of 9 action items (33 percent) as completed prior to dates reflected by supporting documentation.

Recommendations

- OPE should ensure audit follow-up documentation clearly supports completion of the stated action item.
- OPE should ensure completion dates reported in the automated tracking system are consistent with dates reflected in supporting documentation.
- OPE should update its automated audit tracking system to reflect the actual completion dates of action items noted in the audit with discrepancies in the reported completion dates and should ensure that changes to agreed upon action items are identified by editing the Action Item field rather than using the Principal Office Comments field.

Department's Response

- OPE has implemented several changes to improve audit tracking process, which include documenting operating procedures for audit resolution; establishing a database to ensure tracking of audit activities; maintaining electronic files of all audits and supporting documentation; and augmenting contractor support for additional automation of audit processes.
- OPE will conduct training to address action item completion and recommended supporting documentation.
- OPE has taken action to ensure that the Office of Inspector General is notified of any action item changes by correctly entering the information in the automated tracking system.

Report on Monitoring of Postsecondary Institutions

Report Title

[Case Management and Oversight's Monitoring of Postsecondary Institutions: Final Audit Report](#) (ED-OIG/A04-D0014) September 2004.

Overview

The Department's Office of Inspector General examined the Office of Federal Student Aid's Case Management and Oversight's use of program reviews and technical assistance and headquarters management controls over regional offices' monitoring of postsecondary institutions for participation in Title IV programs. The Office of Inspector General identified weaknesses in the Institutional Assessment Model used to identify and select institutions for review, the regional office program review and technical assistance processes, and the monitoring of regional office operations.

Findings

- The Institutional Assessment Model is an ineffective tool for identifying at-risk institutions.
- The program review and technical assistance processes are not adequately documented and there is limited follow-up.
- Case Management and Oversight—Headquarters' monitoring of regional office operations needs improvement.

Recommendations

- The Department's Office of Federal Student Aid (FSA) should require Case Management and Oversight—Headquarters to develop and implement management controls to ensure that the data used to identify the most at-risk institutions are complete and accurate; develop a methodology for evaluating the effectiveness of any risk assessment model used to identify institutions presenting the highest risk of loss of Title IV funds; and provide guidance to regional case management teams for identifying institutions for program review and technical assistance.
- FSA should establish policies and procedures over program reviews and the appropriate monitoring actions to be taken based on specific compliance issues and develop quality control processes to ensure compliance with monitoring and enforcement actions.
- FSA should implement policies and procedures for providing technical assistance and follow up for compliance and implement management controls for oversight of Case Management and Oversight operations.

Department's Response

- FSA will revise the procedures as necessary and provide training to case teams; it has identified requirements for a new model for identifying at-risk institutions.
- FSA agreed to strengthen the documentation of the fiscal review process.
- FSA issued new Management Improvement Services (technical assistance) procedures for selecting institutions for technical assistance, using corrective action plans, and ensuring proper documentation and follow-up.
- FSA currently has an appropriate oversight and monitoring process in place but will work continuously to improve processes.

Report on the Federal Family Education Loan Program

Report Title

[Federal Family Education Loan Program: More Oversight Is Needed for Schools That Are Lenders](#) (GAO-05-184) January 2005.

Overview

In FY 2004, lenders processed about \$65 billion in loans through the Federal Family Education Loan program to assist students in paying for postsecondary education. The Department's Office of Federal Student Aid is responsible for ensuring that lenders comply with program laws and regulations. Questions have arisen as to whether it is appropriate for schools to become lenders, given that they determine eligibility for loans and set the price of attendance. This GAO report determined the extent to which schools have participated as program lenders and their characteristics, the structure of schools' lending operations, benefits for borrowers and schools, and statutory and regulatory safeguards designed to protect taxpayers' and borrowers' interests.

Findings

- The Office of Federal Student Aid has had limited information about how school lenders have complied with Federal Family Education Loan program regulations.
- Under the *Higher Education Act*, program lenders that originate or hold more than \$5 million in program loans must annually submit audited financial statements and compliance audits; in October 2004, the Office of Federal Student Aid discovered that 10 out of 29 school lenders that were required to submit an audit for FY 2002 had not done so, and the Office of Federal Student Aid had not conducted program reviews of school lenders.

Recommendations

- The Office of Federal Student Aid needs to enhance oversight of school lenders by ensuring compliance with applicable statutory and regulatory requirements through timely audited financial statements and compliance audits.
- The Office of Federal Student Aid also needs to conduct program reviews.

Department's Response

- The Department's efforts to verify that lenders submitted the required annual compliance audits for FY 2002 were instrumental in ensuring compliance, and all school lenders who were required to submit such audits for FY 2003 have done so.
- The Department has requested additional information of 31 school lenders regarding compliance with regulations on the use of interest income and special allowance payments for need-based grants. The Department is planning to conduct a more thorough review of 10 school lenders.

Report on Student Aid and Postsecondary Tax Preferences

Report Title

[*Student Aid and Postsecondary Tax Preferences: Limited Research Exists on Effectiveness of Tools to Assist Students and Families Through Title IV Student Aid and Tax Preferences*](#) (GAO-05-684) July 2005.

Overview

Title IV of the *Higher Education Act* provides federal assistance to students and families through grant and loan programs to pay for postsecondary education. While both Title IV aid and tax preferences provide assistance to students and families, tax preferences assist students and families saving for and repaying postsecondary costs and require greater responsibility on the part of students and families. In light of the relative newness of tax preferences, the Government Accountability Office reported on the difference between Title IV assistance and that provided through the tax code, the extent to which tax filers effectively use postsecondary tax preferences, and current knowledge about the effectiveness of federal financial assistance.

Findings

- While tax preferences are of more recent origin than Title IV aid, the number of tax filers using preferences has grown quickly, surpassing the number of students aided under Title IV in 2002.
- Some tax filers do not make optimal education-related tax decisions; 27 percent of eligible tax filers did not claim either the tuition deduction or a tax credit.
- Little is known about the effectiveness of Title IV aid or tax preferences in promoting choice, attendance or persistence, and as a result, policymakers do not have information to make the most efficient use of limited federal resources to help students and families.
- Tax preferences differ from Title IV assistance in three key areas: timing, distribution, and students' and families' responsibility for obtaining benefits.

Recommendations

- The report made no new recommendations; instead, it cited a 2002 Government Accountability Office report that recommended the Department sponsor research into key aspects of the effectiveness of Title IV programs, but little progress has been made on that recommendation.
- The Department should make available information about the effectiveness of both tax preferences and Title IV federal grant and loan programs, so that decisionmakers can make efficient use of limited federal resources to help students and families pay for postsecondary education.

Department's Response

The Department disagrees that the Title IV programs have not been adequately studied. The Government Accountability Office analysis failed to cite the more than 60 reports and other publications that the National Center for Education Statistics prepared using data from the sixth National Postsecondary Student Aid Survey, the Survey of Beginning Postsecondary Students Longitudinal Study, and the Baccalaureate and Beyond Student Survey, each repeated four times.

Report on the Need Determination for Student Financial Aid

Report Title

[*Student Financial Aid: Need Determination Could Be Enhanced Through Improvements in Education's Estimate of Applicants' State Tax Payments*](#) (GAO-05-105) January 2005.

Overview

Most federal student financial aid is awarded based on the applicant's cost of college attendance less the amount of the student's and/or family's expected contribution. The tax allowance effectively reduces the expected family contribution. Given the impact of the allowance on the awarding of financial aid, the Government Accountability Office reported on what factors affected the updating of the tax data, the possible effects the 2003 update would have on financial assistance for aid applicants, and limitations in the method for deriving the tax allowance.

Findings

- Although required by law to revise the tax allowance annually, the Department has attempted the updates only twice—in FY 1993 and again in FY 2003.
- The Department did not seek data to update the allowance annually and did not establish effective internal controls to guide the updating process. The Department did not consider alternatives when data were not available.
- Had the update been implemented in 2004-05, the allowance would have decreased in most states, and the family's expected contribution would have increased for a majority of aid applicants.

Recommendations

- The Department should improve procedures to ensure annual receipt of the most current tax data from the Internal Revenue Service.
- The Department should revise the methodology for calculating the allowance to better reflect the varying tax rates paid by students and families in different income groups and use a standard allowance for all aid applicants regardless of state residence.
- The Department should consider collecting tax information directly from student aid applicants and their families.

Department's Response

- Since 2002, the Department has had formal procedures to ensure that it annually requests and obtains the most current tax data from the Internal Revenue Service.
- Replacing Internal Revenue Service file data with an alternative source, applying a uniform allowance to the incomes of all applicants, incorporating different or additional income bands, and collecting information on state and local taxes directly from federal aid applicants would require statutory change.
- The Department is sensitive to the burden that applying for student financial assistance places on families and institutions; collecting state and local tax information directly from families or institutions of higher education would create an unacceptable increase in burden.

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.