



Highlights of [GAO-09-309](#), a report to the Chairman, Subcommittee on Higher Education, Lifelong Learning, and Competitiveness, Committee on Education and Labor, House of Representatives

Why GAO Did This Study

Institutions that serve large proportions of low-income and minority students may receive funding under Titles III and V of the Higher Education Act. In fiscal year 2008, \$667 million in grants were awarded to over 500 institutions. GAO was asked to determine (1) the characteristics of institutions eligible to receive grants under Titles III and V and characteristics of students served; (2) any challenges grantees face, and how they spent Title III and V funds to address these challenges; and (3) the extent to which the Department of Education (Education) monitors the financial and programmatic performance of grantees, and uses this information to target its technical assistance. To address these objectives, GAO analyzed data from a representative sample of grant applications and annual performance reports for the entire population of fiscal year 2006 grantees. GAO also interviewed officials from Education and 27 grantee institutions, and conducted financial site visits at other 7 grantee institutions.

What GAO Recommends

GAO recommends that Education develop a comprehensive, risk-based approach to target monitoring and technical assistance; follow-up on improper uses of grant funds identified in this report; ensure staff training needs are fully met; disseminate information about implementation challenges and successful projects to grantees; and develop appropriate feedback mechanisms. Education agreed with our recommendations.

[View GAO-09-309 or key components.](#)
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LOW-INCOME AND MINORITY SERVING INSTITUTIONS

Management Attention to Long-standing Concerns Needed to Improve Education's Oversight of Grant Programs

What GAO Found

Twenty-eight percent of all 2-year and 4-year public and private, not-for-profit institutions are eligible to receive Title III and V grants. Eligible institutions had fewer resources, including endowment holdings and revenue from tuition and fees, and lower per student spending on equipment than ineligible institutions. Eligible institutions also served more students who were minority, low-income, and attended part-time.

In their grant applications, Title III and V grantees reported challenges in all four grant focus areas: academic quality, student support, institutional management, and fiscal stability. Grantees reported spending almost \$385 million in fiscal year 2006 grant funds to address challenges in these areas, primarily to strengthen academic quality and student support services. Specifically, grantees reported using 43 percent of grant funds on efforts designed to improve academic quality, such as using the latest technology in the classroom and improving academic space. Efforts to improve student support services, including remedial courses, tutoring, and academic counseling represented about one-third of grantee expenditures. While nearly all grantees reported challenges related to strengthening institutional management and fiscal stability, expenditures in these areas represented less than one-quarter of all grant funds spent.

Since GAO reported and made recommendations on the management of these programs in 2004 and 2007, Education has continued to take steps to improve monitoring, but many of its initiatives have not been completed. Education has made recent progress in developing an electronic monitoring system and risk-based criteria to improve monitoring, but it discontinued the use of annual plans to guide its efforts. Also, limited progress in addressing staff skill gaps and substantial declines in site visits to grantees has impeded Education's ability to adequately monitor grantees. Because Education lacks a comprehensive approach to target monitoring, it lacks assurance that grantees appropriately manage federal funds, increasing the potential for fraud, waste, or abuse. For example, GAO identified more than \$100,000 in questionable expenditures at one grantee institution, including student trips to locations such as resorts and amusement parks, and an airplane global positioning system. Education provides limited technical assistance to grantees, but it has not developed a systematic approach that targets the needs of grantees. For example, some grantees told GAO that Education could strengthen grantee performance by sharing more information regarding common implementation challenges and successful projects. Additionally, GAO found that Education's ability to target technical assistance is limited because its current approach for obtaining feedback does not encourage candor, and it does not use the feedback it currently receives from grantees.