

GAO

Report to the Chairman, Subcommittee
on Higher Education, Lifelong
Learning, and Competitiveness,
Committee on Education and Labor,
House of Representatives

August 2009

LOW-INCOME AND MINORITY SERVING INSTITUTIONS

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



GAO

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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.](#)
For more information, contact George Scott at (202) 512-7215 or scottg@gao.gov.

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.

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Abbreviations

Education	Department of Education
HEA	Higher Education Act of 1965
IDUES	Institutional Development and Undergraduate Education Service
IPEDS	Integrated Postsecondary Data Systems
NPSAS	National Postsecondary Student Aid Study
OPE	Office of Postsecondary Education

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United States Government Accountability Office
Washington, DC 20548

August 17, 2009

The Honorable Rubén Hinojosa
Chairman
Subcommittee on Higher Education,
Lifelong Learning, and Competitiveness
Committee on Education and Labor
House of Representatives

Dear Mr. Chairman:

With more than two-thirds of 2008 high school graduates estimated to enroll in college soon after graduating, higher education has become more accessible than ever before. Yet students from some demographic groups still face challenges in attending college. For example, in 2006 only half of low-income students enrolled in college soon after completing high school, compared to 80 percent of students from high-income families. Similarly, African American and Hispanic high school graduates enrolled at lower rates than white students, and those who do enroll are at greater risk of dropping out before earning a degree or certificate than other students. Given current population projections showing the proportion of college-age minorities may increase by as much as 54 percent for some minority groups over the next decade, the federal government has a continuing interest in ensuring the needs of these students are met.

Beginning in 1965, Congress enacted several grant programs under the Higher Education Act (HEA) to strengthen and support developing postsecondary institutions. In subsequent reauthorizations, Congress expanded the HEA to include programs that support institutions that provide low-income and minority students with access to higher education. These programs have been authorized under Title III and Title V of the HEA, as amended.¹ Institutions eligible to receive these grants include Historically Black Colleges and Universities, Hispanic-serving

¹These programs include three Title III, Part A programs: Strengthening Institutions, American Indian Tribally Controlled Colleges and Universities, and Alaska Native and Native Hawaiian Serving Institutions. It also includes Title III, Part B Strengthening Historically Black Colleges and Universities, and Title V, Part A Developing Hispanic Serving Institutions. Throughout the report when we refer to Title III and Title V programs or grants we are referring to these specific programs. Our review did not include Title III, Part B Historically Black Professional or Graduate Institutions; Part D HBCU Capital Financing; or Part E Minority Science and Engineering Improvement Program.

institutions, Tribal colleges and universities, Alaska Native-serving institutions, and Native Hawaiian-serving institutions, and other undergraduate postsecondary institutions that serve low-income students. In fiscal year 2008, \$667 million in grants were awarded to over 500 institutions. Under the Department of Education's (Education) program guidance, participating institutions are allowed to spend these grants on challenges in four focus areas: academic quality, student support services, institutional management, and fiscal stability. Within these areas, activities might include renovating existing buildings to upgrade technological capacity, providing remedial classes or tutoring, developing faculty, or building endowments, among others.

In 2004 and 2007, we reported on Education's administration of Title III and V programs and found that it had made limited progress in implementing initiatives to enhance monitoring of and technical assistance for grantees.² In this requested report, we address the following questions: (1) what are the characteristics of institutions eligible to receive grants under Titles III and V, including the characteristics of students served; (2) what challenges do grantees face, and how have they spent Title III and V funds to address these challenges; and (3) to what extent does the Department of Education monitor the financial and programmatic performance of Title III and V grantees, and use this information to target its technical assistance?

To describe the characteristics of postsecondary institutions eligible to receive grants under Titles III and V and the characteristics of their students, we analyzed the most recent data available from Education data systems. Specifically, we analyzed 2006 data from Education's Integrated Postsecondary Education Data System (IPEDS) to identify institutions eligible to receive Title III and V grants and to describe both institutional and student characteristics.³

²GAO, *Low-Income and Minority Serving Institutions: Department of Education Could Improve Its Monitoring and Assistance*, [GAO-04-961](#) (Washington, D.C. : Sept. 21, 2004) and GAO, *Low-Income and Minority Serving Institutions: Education Has Taken Steps to Improve Monitoring and Assistance but, Further Progress Is Needed*, [GAO-07-926T](#) (Washington, D.C.: June 4, 2007).

³IPEDS is a system of surveys designed to collect data from all primary providers of postsecondary education on institution-level information such as enrollments, program completions, faculty, staff, finances, and academic libraries. Data are collected annually from approximately 9,600 postsecondary institutions, including over 6,000 institutions eligible for the federal student aid programs.

We also analyzed data from Education’s 2004 National Postsecondary Student Aid Study (NPSAS) to provide additional insight into student characteristics.⁴ Because NPSAS data are based on a representative sample of students enrolled in postsecondary education, it does not include the universe of institutions as reported in IPEDS. As a result, it is not possible to discuss the NPSAS data in terms of eligible and ineligible institutions, as can be done with IPEDS data. Instead, when discussing NPSAS data, we refer to minority serving and non-minority serving institutions. While only Historically Black Colleges and Universities, Hispanic-serving Institutions, and Tribal Colleges are classified as minority serving institutions for NPSAS, these data are the most complete source of information on the characteristics of students attending minority serving institutions. We determined that IPEDS and NPSAS data are sufficiently reliable for the purposes of this report by testing it for accuracy and completeness, reviewing documentation about systems used to produce the data, and interviewing agency officials. We also conducted a review of the literature to gain a better understanding of the characteristics of minority serving institutions and the students they serve. To describe the challenges that grantees face and how they used grant funds to address these challenges, we reviewed grant applications and annual performance reports. Specifically, we conducted a content analysis of grant applications using a representative sample of 78 of the 511 fiscal year 2006 grantees, allowing us to generalize our findings to the entire population of grantees with a 95 percent degree of confidence. Additionally, we analyzed data from annual performance reports detailing expenditures of fiscal year 2006 grant funds—the most recent data available—for 503 of 511 fiscal year 2006 grantees that submitted these data electronically.⁵ We also interviewed officials from 27 grantee institutions—including 11 conducted on-site—about the challenges they face and their experiences with the grant programs. We selected this nonprobability sample based on program participation, size of grant, and geographic location. To determine how Education monitors and provides technical assistance, we conducted interviews with officials at Education and reviewed grant program requirements, policies, procedure manuals, and monitoring plans. Finally,

⁴NPSAS is a comprehensive nationwide study designed to determine how students and their families pay for postsecondary education and to describe some demographic and other characteristics of those enrolled. The surveys use a nationally representative sample of postsecondary education institutions and students within those institutions.

⁵Eight grantees submitted paper filings of these reports and these were not included in our analysis.

we conducted additional site visits at seven grantee institutions to evaluate their fiscal policies and internal control practices, and determine whether program funds were properly used. These institutions were selected using a nonprobability sample based on factors such as program participation, size of grant, and geographic location. A more detailed explanation of our methodology can be found in appendix I.

We conducted this performance audit from September 2007 through June 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Title III and Title V of the Higher Education Act (HEA) authorize federal funding for postsecondary institutions that provide large proportions of low-income and minority students access to higher education. In 1965, Congress authorized grant programs⁶ to strengthen and support developing postsecondary institutions, leading to today's Strengthening Institutions Program. This program provides discretionary grants to help institutions that serve large numbers of low-income students improve their academic quality, institutional management, and fiscal stability.⁷ In subsequent reauthorizations, Congress established several programs to target grant funding to certain institutions that serve large numbers of minority students. Specifically, in 1986, a program was created to designate formula grant funding for historically black colleges and universities.⁸ In 1998, further amendments to the HEA created new grant programs specifically for tribally controlled colleges and universities, Alaska Native and Native Hawaiian-serving institutions, and Hispanic-serving institutions.⁹ Prior to these amendments, these institutions

⁶Higher Education Act of 1965, Pub. L. No. 89-329, Title III, 79 Stat. 1219, 1229.

⁷See 20 U.S.C. §§ 1057-1059g. While not specified in the Act, Education's guidance also allows grantees to use grant funds to improve student support services.

⁸See Higher Education Act of 1986, Pub. L. No. 99-498, Title III, 100 Stat. 1294. For Education's Strengthening Institutions Program regulations, see 34 C.F.R. pt. 607.

⁹See Higher Education Act of 1998, Pub. L. No. 105-244, Title III, 112 Stat. 1581, 1636, 1639, 1641, 1765.

competed for funding under the Strengthening Institutions program. Collectively, these institutions are referred to as minority serving institutions.

Institutions that participate in the Historically Black Colleges and Universities and Tribal programs receive mandatory grants based on two distinct formulas.¹⁰ Institutions that participate in all other programs receive grants based on a ranking of applications by a competitive peer-review evaluation. Such institutions may apply individually or as part of a cooperative partnership for development grants to develop capacity in specified areas on selected campuses. Institutions that receive cooperative grants partner and share resources with another postsecondary institution—which may or may not be eligible for Title III or V funding—to achieve common goals without costly duplication of effort. In addition to 5-year individual development and cooperative grants, Title III, Part A and Title V institutions may apply for a 1-year grant for the purposes of planning an application for a 5-year grant, 1-year construction grant, or 1-year renovation grant. Table 1 briefly describes the characteristics and eligibility criteria of Title III and V programs.

¹⁰The Historically Black Colleges and Universities program formula considers, in part, the amount of funds appropriated, the number of Pell Grant recipients, the number of graduates, and the number of students who enroll in graduate school in degree programs in which African Americans are underrepresented within 5 years of earning an undergraduate degree. Institutions that participate in the Title III, Part A, Tribally Controlled Colleges and Universities program receive grants based on a formula which also allows the Secretary of Education to reserve 30 percent of appropriations for 1-year construction, maintenance, or renovation projects for grants not less than \$1 million beginning in fiscal year 2009. The majority of other funds available are to be distributed based on Native American student head count.

Table 1: Characteristics and Eligibility Criteria of Title III and V Grant Programs

Grant program	Type of grant	Duration	Wait-out period ^a	Eligibility criteria
Title III, Part A, Strengthening Institutions	Competitive	Up to 5 years	2 years	An institution of higher education which (1) has an enrollment of needy students—at least 50 percent of students receive need-based federal financial assistance or its percentage of students receiving Pell Grants exceeds that of comparable institutions; (2) has average educational and general expenditures that are low compared to other institutions that offer similar instruction; (3) is accredited or making reasonable progress toward accreditation; and (4) is legally authorized by the state in which it is located to be a junior college or award bachelor's degrees.
Title III, Part A, Tribal Colleges	Formula noncompetitive ^b	Up to 5 years	None	Must meet the same eligibility criteria as the Strengthening Institutions program. Additionally, must meet the statutory definition of "tribally controlled college or university."
Title III, Part A, Alaska Native and Native Hawaiian	Competitive	Up to 5 years	None	Must meet the same eligibility criteria as the Strengthening Institutions program. Additionally, must have an undergraduate enrollment of at least 20 percent Alaska Native or at least 10 percent Native Hawaiian, as applicable.
Title III, Part B, Historically Black Colleges and Universities	Formula noncompetitive	Up to 5 years	None	Any college or university established prior to 1964 and whose principal mission was, and is, the education of African Americans, and is accredited or is making reasonable progress toward accreditation.
Title V, Part A, Hispanic-Serving Institutions	Competitive	Up to 5 years	None	Must meet the same eligibility criteria as the Strengthening Institutions program. Additionally, must have an undergraduate enrollment of full-time equivalent students that is at least 25 percent Hispanic, of which no less than 50 percent are low-income individuals. Institutions receiving grant funds through Title V may not simultaneously receive funds through Title III, Parts A or B.

Sources: Higher Education Act of 1965, as amended, and Department of Education regulations.

^aThe minimum number of years institutions receiving an individual development grant must wait before they are eligible to receive another grant under the same program.

^bThe Tribal College program awarded the first formula grants in 2009.

From fiscal year 1999 to fiscal year 2008, total appropriations for these programs increased from \$230 million to \$667 million. In fiscal year 2008, the range of new annual institutional awards was \$172,560 for a 1-year planning grant to \$3 million for an individual development grant (see table 2).

Table 2: Title III and V Funding, Fiscal Years 1999 and 2008

Dollars in millions

Program	Funding	
	1999	2008
Title III, Part A, Strengthening Institutions	\$60	\$78
Title III, Part A, Tribal Colleges	3	53
Title III, Part A, Alaska Native/Native Hawaiian Institutions	3	20
Title III, Part B, Historically Black Colleges and Universities	136	323
Title V, Part A, Hispanic Serving Institutions	28	193
Total	\$230	\$667

Source: Department of Education, *Budget of the United States Government—Appendix, Fiscal Year 2001*, at 362, *Fiscal Year 2010*, at 372-73.

The HEA outlines broad goals for Title III and V programs to strengthen participating institutions but provides institutions flexibility in deciding what approaches will best meet their needs. An institution can use the grants to focus on one or more activities to address the challenges articulated in its comprehensive development plan, which is required as part of the grant application and must include the institution’s strategy for achieving growth and self-sufficiency. Under Education’s program guidance, institutions are allowed to address challenges in four broad focus areas: academic quality, student support services, institutional management, and fiscal stability. More specifically, funds can be used for activities such as supporting faculty development; purchasing library books, periodicals, and other educational materials; hiring tutors or counselors for students; improving educational facilities; or building endowments. Although each Title III and V program allows funds to be used in the same broad areas, there are variations in the rules for allowable activities across each of the Title III and V programs (see table 3).

Table 3: Comparison of All Title III and V Allowable Activities by Program

Allowable activity	Program				
	Strengthening Institutions	Tribal	Alaska Native/ Native Hawaiian	Historically Black College or University	Hispanic Serving Institution
Acquisition of scientific or laboratory equipment	•	•	•	•	•
Construction or improvement of instructional facilities, including the integration of computer technology into instructional facilities	•	•	•	•	•
Faculty exchange and development for attaining advanced degrees	•	•	•	•	•
Development and improvement of academic programs	•	•	•	•	•
Purchase of educational materials	•	•		•	•
Tutoring, counseling, and other services to improve academic success	•	•	•	•	•
Management of funds and administration	•	•	•	•	•
Joint use of facilities	•	•	•	•	•
Establishment or improvement of development office	•	•	•	•	•
Establishment or improvement of an endowment	•	•		•	•
Creation or improvement of facilities for distance learning capabilities	•	•		•	•
Academic instruction in disciplines for underrepresented groups	•	•		•	•
Establishment or enhancement of a teacher education program		•		•	•
Increase the number of underrepresented graduate or professional students served through expanded courses and institutional resources					•
Establishing community outreach programs that encourage elementary and secondary school students to develop the academic skills and interest to pursue postsecondary education					•
Other activities approved by the Secretary of Education	•	•	•	•	•

Source: GAO analysis of the Higher Education Act.

Title III and V programs are administered by the Institutional Development and Undergraduate Education Service (IDUES) within Education’s Office of Postsecondary Education (OPE). In addition to the Title III and V programs we examine in this report, IDUES administers the Strengthening

Historically Black Graduate Institutions, Minority Science and Engineering Improvement, and the Robert C. Byrd Honors Scholarships programs. Additionally, in 2007, IDUES assumed responsibility for several new grant programs for other categories of minority serving institutions, including Native American-serving Nontribal Institutions and Asian American and Native American Pacific Islander-serving Institutions.¹¹ IDUES currently has 32 program staff members to administer more than 1,000 grants across its portfolio.

The Comptroller General’s Domestic Working Group highlights areas of opportunity and promising practices in grants management—focused both on ensuring grant funds are spent properly and on achieving their desired results¹² (see table 4). Effective grants management calls for establishing adequate internal control systems, including efficient and effective information systems, training, policies, and oversight procedures, to ensure grant funds are properly used and achieve intended results.

Table 4: Summary of Opportunities for Improvement in Grants Management

Areas of opportunity	Promising practice issue areas
Internal control systems	<ul style="list-style-type: none"> • Preparing policies and procedures before issuing grants • Consolidating information systems to assist in managing grants • Providing grant management training to staff and grantees • Coordinating programs with similar goals and purposes
Preaward process	<ul style="list-style-type: none"> • Assessing applicant capability to account for funds • Competing grants to facilitate accountability • Preparing work plans to provide framework for grant accountability • Including clear terms and conditions in grant award documents

¹¹These programs were first authorized in the College Cost Reduction and Access Act (Pub. L. No. 110-84) prior to inclusion in the Higher Education Opportunity Act (Pub. L. No. 110-315).

¹²Domestic Working Group, Grant Accountability Project, *Guide to Opportunities for Improving Grant Accountability* (October 2005).

Areas of opportunity	Promising practice issue areas
Managing performance	<ul style="list-style-type: none"> • Monitoring the financial status of grants • Ensuring results-through-performance monitoring • Using audits to provide valuable information about grantees • Monitoring subrecipients as a critical element of grant success
Assessing and using results	<ul style="list-style-type: none"> • Providing evidence of program success • Identifying ways to improve program performance

Source: Domestic Working Group.

Internal controls provide federal managers with reasonable assurance that their program is (1) achieving its primary objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations; (2) safeguarding assets; and (3) preventing fraud, waste, abuse, and mismanagement. Like other federal departments and agencies, Education is expected to implement internal control systems consistent with the requirements established by the Office of Management and Budget and GAO.¹³ Entities that receive federal funds, such as institutions of higher education, are also expected to implement effective internal control systems consistent with federal requirements.

¹³Under 31 U.S.C. § 3512 (c), (d), commonly known as the Federal Managers' Financial Integrity Act of 1982, agency management is responsible for establishing, maintaining, and assessing internal control to provide reasonable assurance that it is meeting the Act's broad internal control objectives consistent with the standards GAO prescribes and the evaluation guidance Office of Management and Budget (OMB) issues. For more information on internal control standards and guidance, see GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and OMB, *Management's Responsibility for Internal Control*, Circular No. A-123 (Washington, D.C.: Dec. 21, 2004).

Eligible Institutions Had Fewer Resources to Serve Proportionately More Students at Academic Risk

Lower Revenues May Make It Difficult for Eligible Institutions to Meet Needs of Current and Future Students

We estimate that 28 percent of 2-year and 4-year public and private not-for-profit postsecondary institutions are eligible to participate in the Title III and V programs, and together these institutions enrolled just over 4 million students. About one-half of all eligible institutions are 2-year colleges, such as community colleges, compared to 31 percent of 2-year institutions that are ineligible to participate in the programs (see table 5). The substantial representation of 2-year public institutions that are eligible to participate in the programs appears to amplify some of the overall differences in both institutional and student characteristics between eligible and ineligible populations discussed throughout this section.

Table 5: Title III and V Eligibility Status of Postsecondary Institutions

	2-year public		2-year private, not-for-profit		4-year public		4-year private, not-for-profit		Total	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Eligible	400	46	47	5	154	18	277	32	878 ^a	28
Ineligible	654	29	66	3	489	21	1,080	47	2,289	72
All institutions	1,054	33	113	4	643	20	1,357	43	3,167	100

Source: GAO analysis of 2006 IPEDS data.

^aPostsecondary institutions with branch campuses can decide whether to report IPEDS data for the entire system or individually for each branch campus. Totals do not fully account for branch campuses that are otherwise eligible but did not report as an individual campus into IPEDS.

Overall, eligible institutions had access to fewer revenue sources, including endowment holdings and tuition and fees, to serve their students. Endowments provide additional funds for activities, such as providing scholarships and constructing facilities, which would be unaffordable if institutions relied solely on tuition, private philanthropic gifts, or government funding. The median per-student endowment holdings at eligible institutions were lower than the holdings of their ineligible peers. For example, the median per-student endowment for eligible 4-year

private, not-for-profit institutions was nearly three times less per student (\$7,297) than the median for ineligible 4-year private, not-for-profit institutions (\$20,391). Another major source of revenue for institutions is the tuition and fees charged to students. For all eligible institutions, the median tuition and fees reported were lower than what was reported at ineligible institutions. Median tuition and fees at eligible institutions were 12 percent less than at ineligible institutions for 2-year private, not-for-profit institutions, and 38 percent less at 4-year private, not-for-profit institutions.

Lower revenues may limit an institution's ability to undertake activities that build institutional capacity, such as improving campus facilities and enhancing academic offerings. In 2006, per-student spending on instructional equipment at eligible institutions was almost 47 percent less than spending at ineligible institutions. Eligible institutions also spent almost 60 percent less per student on expenses related to day-to-day operations, such as financial aid and registration, and about two times less per student on certain services, such as providing technology in classrooms and activities related to student life and development.

While eligible institutions had lower revenues and per-student spending, they more often had admissions policies associated with the enrollment of students who need greater academic support. Research has shown that students attending institutions that accept any student who applies for admission—known as open-enrollment institutions—are less likely to be prepared to successfully undertake college-level coursework. About 60 percent of eligible institutions had open enrollment, compared to 35 percent of ineligible institutions. Almost all 2-year public institutions—both eligible and ineligible—reported open enrollment policies, which is consistent with the mission most community colleges have to work with students of all ability levels. Open-enrollment policies were much less common at eligible 4-year institutions. Less than 30 percent of these schools had open enrollment, but it was still more prevalent than at ineligible 4-year institutions, of which 10 percent or less had such policies.

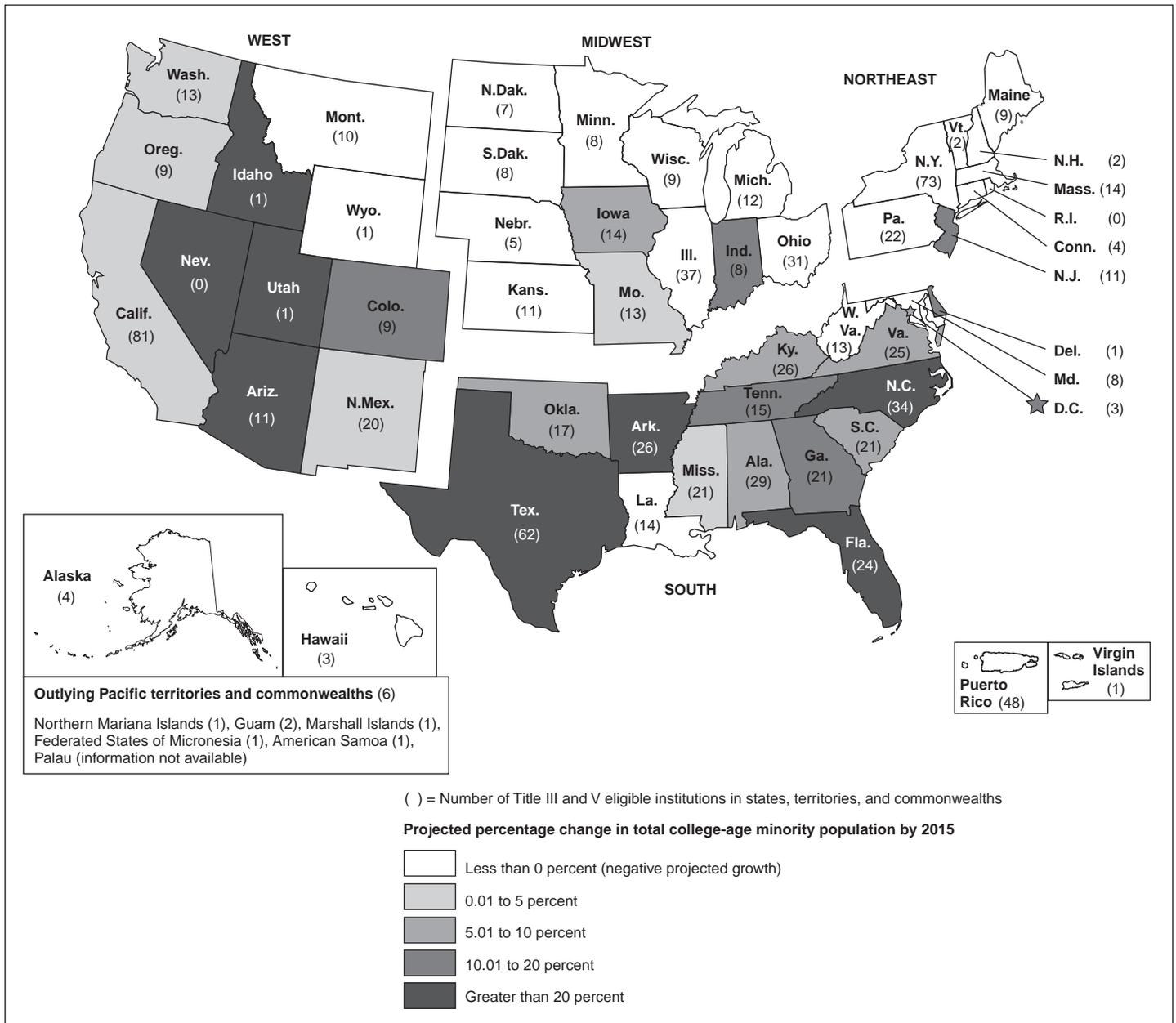
Limited revenues may also impact the ability of eligible institutions to meet the demand of future students based on population projections. Specifically, about two-thirds of eligible institutions are located in southern and western states, many of which are projected to experience an increase in the number of college-age students in coming years (see fig. 1). Studies also project long-term growth in the number of minority and low-income high school graduates in these two regions beginning in 2015 and extending through 2022, driven in part by accelerated growth in the

Hispanic population.¹⁴ Given the importance many students enrolled at minority-serving institutions place on geographic proximity to home when choosing a college, eligible institutions in high-growth states could experience proportionately more growth in numbers of students and changes in the demographics of the college-age population may result in an expansion in the number of eligible institutions. For example, a 2008 Education study found that in some states including Texas, Arkansas, and North Carolina, over 80 percent of entering freshmen are state residents.¹⁵ Additionally, Education's 2004 NPSAS survey found that 80 percent of students enrolled at Hispanic-serving institutions and almost 73 percent of students enrolled at Historically Black Colleges and Universities stated that geographic location was a key reason for selecting their postsecondary institution.

¹⁴Western Interstate Commission for Higher Education, *Knocking at the College Door, Projections of High School Graduates by State and Race/Ethnicity* (Boulder, Colo., 2008).

¹⁵M. Planty, et. al., "Mobility of College Students" (Indicator 10, Supplemental Table 10-2), *The Condition of Education 2008*, NCES 2008-031, a report for the U.S. Department of Education, National Center for Education Statistics, Institute of Education Sciences (Washington, D.C., 2008).

Figure 1: Location of Institutions Currently Eligible for Title III and V Funding and Projected Change in College-Age Minority Population by 2015

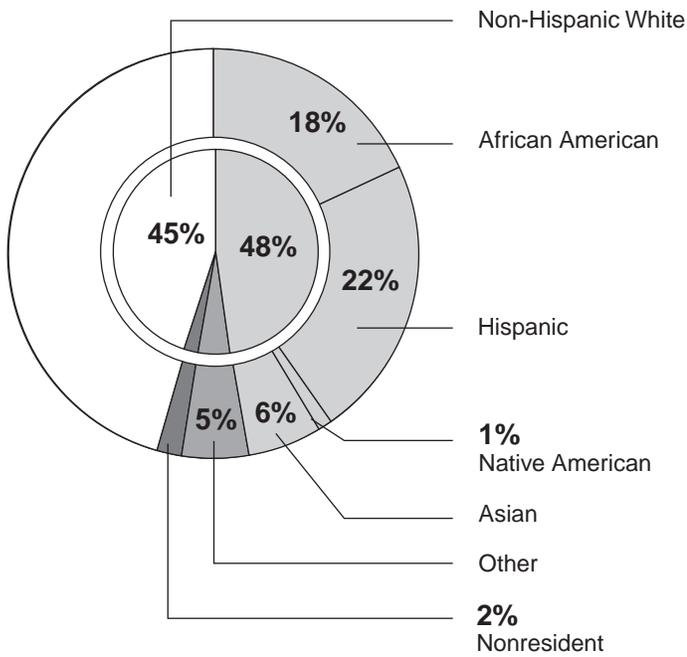


Eligible Institutions Enrolled More Minority and Low-Income Students Than Ineligible Institutions

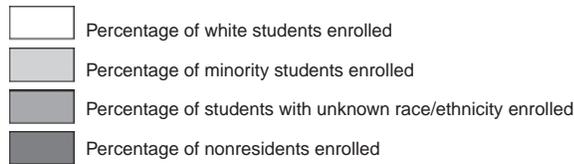
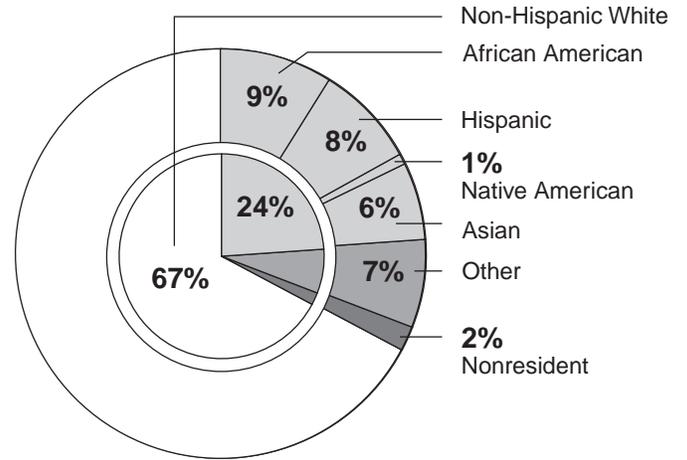
On average, eligible institutions enrolled more minority students than ineligible institutions. In 2006, about one-half of all students enrolled at eligible institutions were minority, compared to about one-quarter at ineligible institutions (see fig. 2). While eligible institutions represent 28 percent of all postsecondary institutions, they enrolled over 43 percent of all minority students. Eligible institutions were largely comprised of the minority group associated with their program eligibility. For example, at Historically Black Colleges and Universities the predominant student population was African American, and at Hispanic-serving institutions, it was Hispanic. Almost 60 percent of all students enrolled at eligible and ineligible institutions were women.

Figure 2: Race and Ethnicity, by Eligibility Status, 2006

Racial/ethnic composition of eligible institutions



Racial/ethnic composition of ineligible institutions



Source: GAO analysis of Department of Education 2006 IPEDS data.

Note: The sum of individual race/ethnicity percentages may not equal total minority enrollment due to rounding.

Eligible institutions also served more low-income students, a central requirement for participation in Title III and V programs. Specifically, 44 percent of students enrolled at eligible institutions received Pell grants

compared to 26 percent at ineligible institutions.¹⁶ In addition, eligible institutions reported that half of all first-time, full-time students enrolled received some form of federal student aid, compared to 25 percent of students enrolled at ineligible institutions.¹⁷

Students at eligible institutions also may have characteristics that put them at academic risk, including attending part-time and delaying their enrollment following high school. In 2006, 47 percent of students at eligible institutions attended part-time compared with 34 percent of students at ineligible institutions. This difference is largely driven by the substantial proportion of 2-year public institutions in the eligible population. At both eligible and ineligible 2-year public institutions, more than 60 percent of students attended part-time. In particular, about two-thirds of students attending both eligible and ineligible 2-year public, Hispanic-serving institutions attended part-time. At 4-year institutions, rates of part-time attendance were much lower. However, eligible institutions enrolled more part-time students than ineligible institutions: 29 percent of students at eligible 4-year public institutions attended part-time, compared to 19 percent at ineligible 4-year public institutions. One possible explanation for the difference in part-time enrollment may be related to the extent to which a student works while enrolled. According to Education's 2004 NPSAS survey, almost 40 percent of students attending minority serving institutions worked 35 hours or more per week and considered themselves as employees enrolled in college instead of students who work, when compared to students attending non-minority serving institutions.

A greater percentage of students at eligible institutions delayed enrollment in college than students at ineligible institutions. Research has shown, however, that students who delay enrollment are at greater risk of not completing a postsecondary credential, as compared to their peers who enroll soon after completing high school. At 4-year private, not-for profit

¹⁶Pell Grants are grants to low- and middle-income undergraduate students who have federally defined financial need and who are enrolled in a degree or certificate program. In general, a student's Pell Grant award is determined by subtracting a student and family's expected family contribution from either the maximum allowable Pell Grant award, \$5,350 for the 2009-2010 school year, or the cost of attendance, whichever is less.

¹⁷Grants provided by federal agencies such as Education, include Title IV Pell Grants and Supplemental Educational Opportunity Grants, as well as need-based and merit-based educational assistance funds and training vouchers provided from other federal agencies and/or federally-sponsored educational benefits programs.

institutions, for example, 34 percent of students at eligible institutions compared to 21 percent at ineligible institutions enrolled in college for the first time when 25 or older. Rates at 2-year public colleges were similar with more than 40 percent of students at eligible and ineligible institutions enrolling for the first time at age 25 or older. One exception to this trend among eligible institutions was students at Historically Black Colleges and Universities, where almost three-quarters of the students enroll right after high school.

Eligible institutions had lower retention rates, on average, than ineligible institutions.¹⁸ For example, in 2006, eligible institutions retained 60 percent of their full-time students compared to 69 percent at other institutions. Research has shown that a number of factors, including attending part-time, working full-time, and delaying enrollment in college for more than a year after high-school, put students at a greater risk of leaving postsecondary education without a credential.¹⁹ The retention rate for 2-year public institutions was lower, but similar, at eligible and ineligible institutions. Graduation rates were lower as well.²⁰ Specifically, 39 percent of students at eligible 4-year institutions received a bachelor's degree within 6 years of enrolling, compared to 60 percent of students at ineligible 4-year institutions. According to a recent Education study, graduation rates may decline as the percentage of an institution's low-income student population increases.²¹ This may be for a variety of reasons, including a student's academic preparation, working full-time while enrolled, parents' educational attainment, as well as an institution's selectivity in admissions. However, the report also found that several highly selective minority serving institutions enrolled a significant number of low-income students

¹⁸For 4-year institutions, retention rate is defined as the percentage of first-time degree-seeking undergraduates from the previous fall who are enrolled the following fall semester. For all other institutions, this is the percentage of first-time degree or certificate-seeking students from the prior fall who either re-enrolled or successfully completed their program by the following fall.

¹⁹U.S. Department of Education, *College Persistence on the Rise? Changes in 5-year Degree Completion and Postsecondary Persistence Rates between 1994 and 2000* (Washington, D.C., 2004).

²⁰Graduation and completion rates are measured by the proportion of students who earn a degree within 150 percent of the expected time—6 years for a bachelor's degree and 3 years for an associate degree. The formula counts only first-time, full-time students.

²¹U.S. Department of Education, *Placing College Graduation Rates in Context: How 4-Year College Graduation Rates Vary With Selectivity and the Size of Low-Income Enrollment* (Washington, D.C., 2006).

and were high performers with respect to graduation. Another possible explanation for the difference in graduation rates may also be tied to institutional expenditures. One study reported that those institutions with lower expenditures on student support services had lower graduation rates.²² Graduation rates for both eligible and ineligible 2-year public institutions were similar; however, the relevance of graduation rates at 2-year institutions has been widely debated since students may enroll in these institutions for a variety of reasons other than completing a degree or certificate program. See appendix II for more information on institutional and student characteristics.

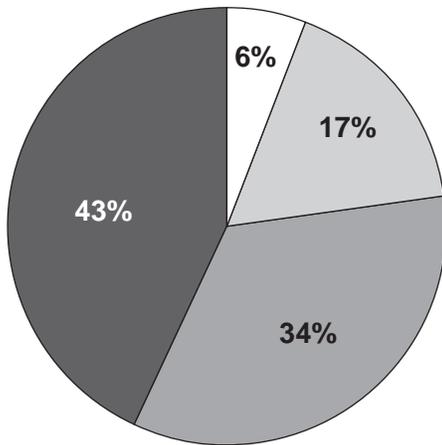
Institutions Faced Challenges across the Grant Programs' Four Focus Areas but Spent Most of Their Funds in Two Areas, Academic Quality and Student Support

In their grant applications, Title III and V grantees reported challenges across all four grant focus areas: academic quality, student support, institutional management, and fiscal stability. According to data collected through Education's annual performance reports, fiscal year 2006 grantees reported spending almost \$385 million in total grant funds on activities across all four focus areas, with over three-quarters of the funds expended in the areas of academic quality and student support services (see fig. 3). See appendix III for additional information on Title III and V expenditures of grant funds for fiscal years 2002 to 2006.

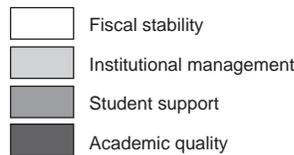
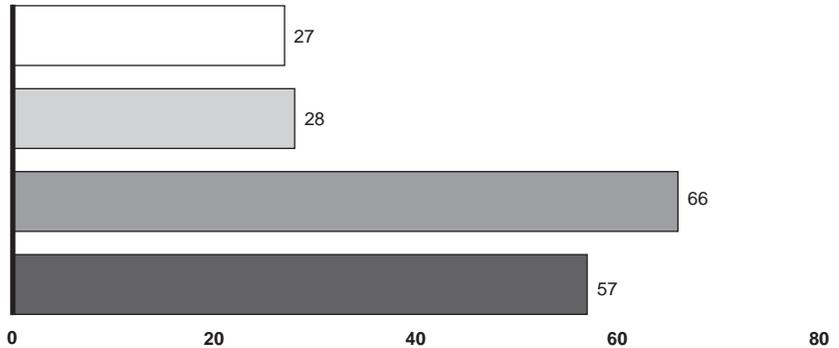
²²The Pell Institute, *Demography Is Not Destiny: Increasing the Graduation Rates of Low-Income College Students at Large Public Universities* (Washington, D.C., 2007).

Figure 3: Fiscal Year 2006 Grantee Expenditures by Focus Area

Percentage of total dollars, by focus area



Percentage of grantees undertaking at least one activity, by focus area



Source: GAO analysis of Department of Education fiscal year 2006 annual performance report data.

Academic Quality

Based on our review of a representative sample of grant applications, we estimate that all grantees reported challenges in improving academic quality, such as recruiting and training highly qualified faculty, using the latest technology in the classroom for instruction, improving academic space, and tailoring courses to student needs. Fifty-seven percent of fiscal year 2006 grantees dedicated at least one activity to improving academic quality, and expenditures in this focus area represented about 43 percent of total grant funds spent. Specific examples of how institutions used grant funds to address academic quality challenges follow:

- A 2-year Alaska Native institution seeking to provide access to students in seven remote villages—covering roughly 88,000 square miles—began offering classes online. However because access to computers and high-speed Internet in the villages was costly, unreliable, or nonexistent, most lesson plans limited the use of multimedia. By leveraging its Title III grant with funds from the Department of Housing and Urban Development’s Assisting Communities program, the school obtained wireless capability and now offers 8 to 12 online courses each semester.

- A 4-year Native Hawaiian institution said that it has struggled to provide science instruction to students due to outdated laboratory facilities. These facilities were reportedly so antiquated that the television show “Lost” used the facilities to replicate a 1950s laboratory. The institution leveraged \$2.3 million in Title III grant funds to renovate 12,000 square feet of un-air-conditioned, termite-damaged laboratory space that did not comply with federal safety and health regulations (see fig. 4).

Figure 4: Before-and-After Photos of Science Facilities on Native Hawaiian Campus



Source: Chaminade University, Honolulu, Hawaii.

Student Support Services

Nearly all grantees reported difficulty providing student support services, including remedial courses, tutoring, and academic counseling. Many of these grantees reported that the unique needs of their students underscore the importance of providing student support services. Over three-quarters of grantees cited difficulties associated with retaining and graduating their students, which most attributed to incoming students arriving underprepared for college-level course work. Two-thirds of fiscal year 2006 grantees reported dedicating at least one activity to improving student support services, and expenditures in this area represented 34 percent of total Title III and V grant funds spent. Most of these

expenditures were for tutoring and counseling. Specific examples of how institutions used grant funds to address student support challenges follow:

- A 2-year strengthening institution in Illinois reported in 2005 that 75 percent of its first-year students were at risk of leaving college without a degree because the institution could not provide adequate academic support and advisement. To reduce the likelihood that students would fail or drop out, the school reported spending \$360,000 in grant funds to provide training to 175 faculty members on the use of multimedia and technology, active learning, and strategies to support various learning styles. Additionally, all 46 of its academic advisors were provided training in techniques for advising students with different learning styles.
- A 2-year Hispanic-serving institution in Texas reported using almost \$350,000 in fiscal year 2006 grant funds to conduct an outreach program at area high schools for students at risk of dropping out without earning a diploma, as well as to provide bilingual financial aid services to better serve its students. By providing support services to students while they are in high school, the college aims to improve high school graduation and college enrollment rates in Dallas County high schools where 63 percent of Hispanic and 52 percent of African American students left high school in 2001 without a diploma. The outreach program provides students with career exploration courses in math, science, and technology, as well as peer mentors who are enrolled in 4-year colleges or universities. College officials credit the 5-year Title V grant as contributing to a 12 percent increase in students pursuing postsecondary education and a 45 percent increase in the number of associate degrees awarded between 2004 and 2007.
- A 2-year tribal college in South Dakota reported it relied on faculty and staff to provide additional tutoring and counseling support to at-risk students because it lacked resources to fully address student needs. Because almost all of its students come from low-income families, or are the first in their families to attend college, additional support could only be provided for one-third of the students in need. According to school officials, in fiscal year 2006, the school spent nearly \$32,000 of its Title III grant to hire additional staff and peer mentors to provide tutoring and counseling services for 120 additional students, an increase of 169 percent.

Institutional Management

Nearly all grantees reported institutional management challenges, including recruiting and retaining qualified staff, updating technology on campuses, addressing administrative challenges such as financial aid or student registration, undertaking strategic planning, or tracking student performance. Twenty-eight percent of all fiscal year 2006 grantees funded

at least one activity in this area, and expenditures on institutional management represented about 17 percent of total grant funds spent. Specific examples of how institutions used grant funds to address institutional management challenges follow:

- A 2-year Alaska Native-serving institution reported significant staffing shortages due to its isolated location, and its staff had to perform a variety of jobs. For example, the business office director also occasionally performs building and grounds maintenance tasks, such as shoveling sidewalks and handling computer problems. Additionally, a staff member assigned to manage the bookstore was also responsible for providing financial aid advice. While it is not possible to address all challenges with Title III funds, the grant was a critical first step in establishing four full-time financial aid positions that have since become part of the college's budget.
- A 4-year historically black university in North Carolina that ranks high nationally in the production of computer science graduates reported it has difficulty maintaining its ongoing investment in its technology infrastructure. After spending \$1.2 million of Title III funds in 2000, the college used an additional \$834,000 from subsequent Title III grants to upgrade telecommunications, implement Web-enabled administrative software, and increase classes with wireless capabilities by 34 percent.
- A 4-year Hispanic-serving institution in Puerto Rico said its ability to expand is limited by its location in an historic building that cannot be altered, hindering service to the island's growing college-age population. While delays in obtaining construction permits have limited the college's progress, the college is completing renovations for a new academic building. It has spent \$740,000 in grant funds to renovate its library, increasing the space dedicated to this building by 32,000 square feet.
- A tribal college in South Dakota reported using more than \$85,000 in grant funds to develop a comprehensive training program for its grants management staff to address internal control weaknesses identified by federal auditors. According to school officials, auditors reported that prior practices resulted in \$2.3 million in federal grants at risk of fraud, waste, and abuse. In 2006, the college used grant funds to create a Human Resources Office, increase its administrative staff from four to six and provide them with training, and post its internal control policies and practices online. Officials reported that a federal agency that rescinded a \$50,000 grant award in 2005 later returned the grant upon completion of these activities.

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- A 4-year historically black college in Tennessee reported spending \$101,795 in Title III funds to strengthen institutional management by developing an operating manual and providing training for members of its Board of Directors. A school official told us that most board members do not have professional experience related to higher education administration, and their staggered 3-year terms result in new members joining the board periodically.

Fiscal Stability

We estimate that nearly all grantees reported fiscal stability challenges, including decreases in state and local government funding, an overreliance on tuition-based revenue, and lack of donations from private sources. Twenty-seven percent of fiscal year 2006 grantees funded at least one activity in this focus area, and fiscal stability expenditures represented 6 percent of all grant funds spent. Specific examples of how institutions used grant funds to address fiscal stability challenges follow:

- A 2-year strengthening institution in Iowa cited declining state funding as a challenge, reporting that in 2002, it fell below other Iowa community colleges in per-credit hour funding from the state and was forced to raise tuition and fees. Officials said many of its students are low-income and cannot pay more. As a result, the college ranks last among Iowa community colleges in general fund balance, threatening its long-term viability. To address these challenges, the college established three new academic programs—dental hygiene, biotechnology, and advanced manufacturing—that are in high demand in the surrounding community. The dental hygiene and biotechnology programs are anticipated to provide the college with an additional \$200,000 in revenues annually and \$1 million in federal and state appropriations.²³
- Officials at a tribal college in South Dakota reported that despite having a large, active donor list of 40,000, the college lacked staff with the requisite skills to request major gifts from these donors. The college reported using \$170,000 in Title III grant funds to improve operations at its development office by acquiring software to track such information as donor giving history and by centralizing its direct mail operations for requesting gifts. Additionally, nearly 20 percent of its \$2.5 million grant was used to increase its existing endowment of \$13 million.

²³At the time of publication, the institution did not have data available for the advanced manufacturing technology program.

Long-standing
Deficiencies in Grant
Monitoring and
Technical Assistance
Limit Education's
Ability to Ensure That
Funds Are Used
Properly and
Grantees Are
Supported

Education Has Made
Limited Progress in
Improving Its Monitoring,
and Still Lacks a
Systematic Approach to
Coordinate Its Efforts

Five times since 1996, GAO and Education's Inspector General have recommended that Education implement a systematic approach to monitoring to better assess the fiscal and programmatic performance of Title III and V grantees. Such an approach would include implementing formal monitoring and technical assistance plans based on risk models and developing written procedures for providing technical assistance. When we previously reported on Education's management of the programs in 2004, the department had begun several initiatives to improve monitoring, including the development of annual monitoring plans to identify potential risk with grants and guide the work of program staff. However, we found that the lack of progress it made in implementing these initiatives had resulted in uneven monitoring of Title III and V grantees.²⁴ Accordingly, we recommended that Education take steps to ensure its monitoring plans were carried out and targeted toward at-risk grantees by completing its electronic monitoring system and training programs. While Education has taken some steps to better target its monitoring plans in response to our recommendation, many of its initiatives have yet to be fully realized (see table 6).

²⁴[GAO-04-961](#).

Table 6: A Comparison of the Status of Education’s Monitoring Initiatives in 2004 and 2008

Monitoring initiative	2004 status	2008 status
Implement electronic monitoring system	Education implemented electronic monitoring of Title III and V grantees at the end of 2004.	Redesigned in fiscal year 2007 because the original system did not achieve its intended goal of presenting a comprehensive view of risk based on an institution’s portfolio of higher education grant programs. The new system, while fully operational, will continue to be enhanced through fiscal year 2010.
Establish risk-based criteria	Education’s OPE developed risk-based criteria in fiscal year 2003, but used these criteria inconsistently within the program office.	OPE established preliminary risk-based criteria for all its grant programs in fiscal year 2008. Criteria have been used to create a monitoring index of schools on which to focus additional monitoring, but only a small portion of these criteria are being utilized to set priorities.
Develop monitoring plans	Following a fiscal year 2002 effort to place greater emphasis on performance monitoring for all grantees, annual monitoring plans were developed to guide monitoring and technical assistance.	Once the requirement to submit these plans to Education’s OPE was rescinded in 2006, the program office ceased to develop monitoring plans.
Design comprehensive approach to site visits	While program staff were required to complete at least two site visits annually, the majority of staff did not fulfill the requirement. Site visits that were conducted lacked a standard approach and varied in quality.	The requirement for program officers to complete a minimum number of site visits has been eliminated. Since 2004, few site visits have been completed, and most of those did not include financial monitoring to determine whether program funds were properly used.
Develop training for enhanced monitoring	Education developed a corrective action plan to provide additional courses over a 3-year period to address training needs of its staff.	Education has developed courses to enhance monitoring, but most staff have not completed coursework and one key course has yet to be offered.

Source: GAO analysis.

In 2007, the Office of Postsecondary Education (OPE) reestablished an office to oversee monitoring across all of its higher education grant programs. The program oversight staff is responsible for overseeing OPE monitoring policies, procedures, and standards, and training staff in these areas. The establishment of the oversight staff was designed to increase consistency in monitoring practices throughout more than 40 grant programs administered by OPE, including Title III and V programs, and to supplement the responsibilities of individual program offices with regard to monitoring and technical assistance.

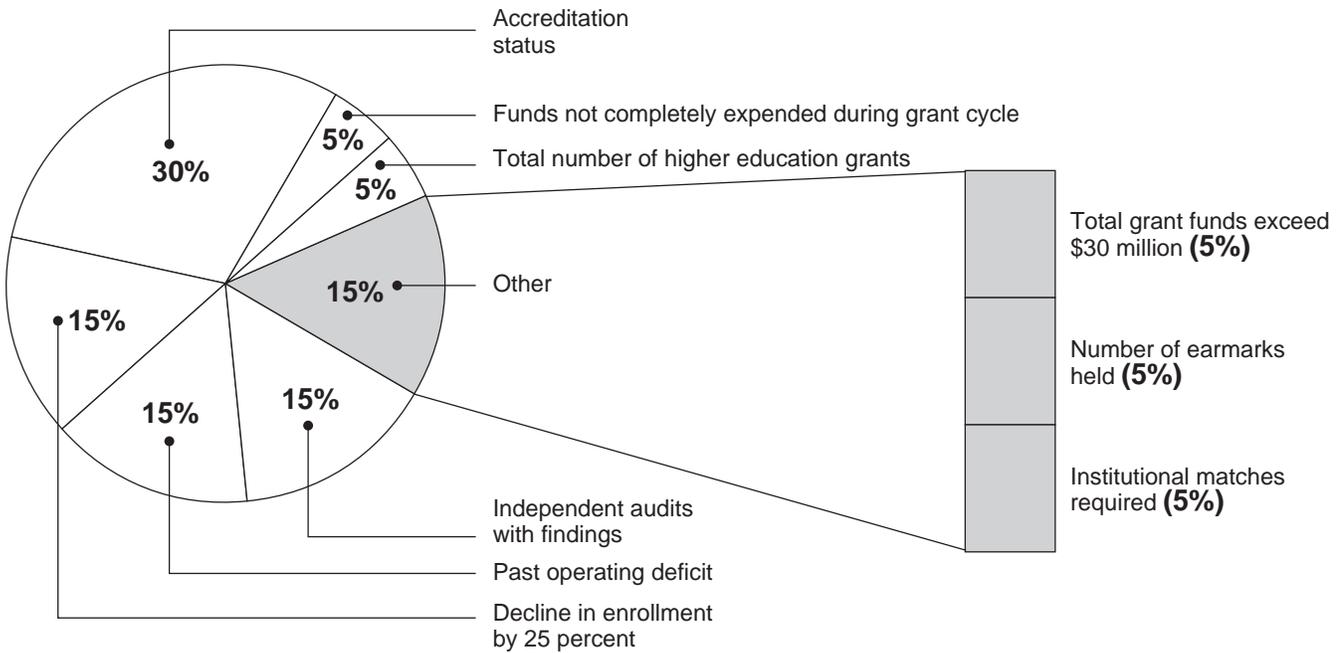
Electronic Monitoring System

In 2007, Education redesigned its electronic monitoring system to provide several key enhancements lacking in the system that was originally introduced 4 years earlier. The original system was not designed to share key information across grant programs administered by OPE. The redesigned system brings together information about an institution’s performance in managing its entire portfolio of higher education grants,

increasing Education's ability to assess the risk of grantee noncompliance with program rules. Program officers can also enter updates about a grantee's performance in the system, based on routine interactions with the grantee. According to Education officials, this information can be used to reflect real-time information about institutional behavior. Because the system integrates financial and programmatic data, such as institutional drawdown of grant funds and annual performance reports, staff will have ready access to information needed to perform monitoring tasks. Given that each program officer is responsible for managing around 50 grants, electronic monitoring, if fully integrated into the oversight activities of program staff, has the potential to improve the quality and consistency of monitoring.

Another feature of the system is a monitoring index, implemented in 2008, that determines an institution's need for heightened monitoring or technical assistance based on nine weighted criteria designed to assess risk related to an institution's ability to manage its grants (see fig. 5). For example, an institution that has lost accreditation (30 percent of the index) or has grants totaling more than \$30 million (5 percent of the index) is automatically prioritized for heightened monitoring, which may involve site visits or other contacts with the school. Education has identified over 130 institutions across all higher education grant programs for heightened monitoring, of which 43 percent participate in the Title III and V programs. Education officials said they will review the criteria and make revisions, as necessary, to better assess risk.

Figure 5: Monitoring Index Criteria Used to Assess Institutional Risks



Source: GAO analysis of Department of Education data.

Annual Monitoring Plans

While Education has made recent progress in automating its monitoring tools and developing risk-based criteria, it lacks a coordinated approach to guide its monitoring efforts. Specifically, Education officials told us they discontinued the development of annual monitoring and technical assistance plans for Title III and V programs, one of the initiatives that we reported on in 2004. In 2002, Education directed each program within the agency to develop a monitoring plan to place greater emphasis on performance monitoring for all grantees. In addition to asking whether grantees were achieving results, program officials were also to consider what assistance Education could provide to help grantees accomplish program objectives and incorporate an increased departmental emphasis on compliance with the law into their planning. Education developed a plan for Title III and V programs that called for staff to (1) conduct risk assessments, (2) perform a minimum number of site visits each year, and (3) follow up with grantees regarding their performance reports. However, in 2006, Education rescinded the requirement for each program office to submit annual monitoring plans because the practice did not achieve its intended purpose of better targeting its monitoring resources. Since then, OPE has not developed any plans to guide its monitoring activities for

Site Visits

Title III and V programs, although such plans are in place for other OPE grant programs.

Since our 2004 report, site visits to Title III and V grantees, a critical component of an effective grants management program, have declined substantially. For example, Education conducted 26 site visits in fiscal year 2003, but only visited 22 grantees over the 4-year period of fiscal year 2005 through fiscal year 2008 (see table 7). We were unable to fully determine the nature or quality of these site visits because Education could not account for most of the reports required to document site visit findings. Additionally, since the issuance of our 2004 report, which found that about three-quarters of the program staff were not meeting the requirement to complete at least two site visits per year, Education has discontinued the two site visit requirement. Instead Education officials said they have changed the focus to improve the quality of monitoring by relying on the risk criteria to target grantees most in need of site visits to make the best use of the department’s limited resources.

Table 7: Site Visits to Title III and V Grantees, Fiscal Years 2003 through 2008

Program	2003	2004	2005	2006	2007	2008
Title III, Part A, Strengthening Institutions	14	14	1	7	0	1
Title III, Part A, Alaska Native/Native Hawaiian Institutions	7	0	0	0	0	0
Title III, Part A, Tribal Colleges	0	3	3	0	0	0
Title III, Part B, Historically Black Colleges and Universities	1	0	2	3	0	4
Title V, Part A, Hispanic Serving Institutions	4	1	1	0	1	0
Total	26	18	6	10	1	5

Source: GAO analysis of Department of Education data.

Note: As of April 2009, Education had completed six site visits for fiscal year 2009 to an equal number of Strengthening Institutions, Historically Black Colleges and Universities, and Hispanic Serving Institutions.

One former senior Education official told us that site visits had declined because the program office has limited staff and few have the requisite skills to conduct financial site visits. According to Education, the OPE office responsible for administering Title III and V grant programs currently has 32 staff to monitor more than 1,000 grants across its assigned programs, compared to 2003 when it had 38 staff responsible for approximately 750 grants. To address concerns that program officers do not have the right skill mix to conduct comprehensive site visits, OPE’s

program oversight staff assumed responsibility for conducting site visits for Title III and V programs in 2008. However, because the office is responsible for conducting site visits across more than 40 higher education grant programs, the number of Title III and V grantees it can visit will be limited. In fiscal year 2008, for example, five site visits that program oversight staff conducted were to Title III grant recipients.

With the implementation of an electronic monitoring system and risk-based monitoring index, Education now has tools to enhance its ability to select grantees for site visits. However, officials said that aside from referrals from the Inspector General, the criteria they used in selecting schools for fiscal year 2008 and 2009 site visits was the total amount of higher education grants awarded (i.e., grantees receiving \$30 million or more), which represents only 5 percent of the monitoring index criteria. In fiscal year 2008, this limited criteria resulted in a narrow subset of schools being visited, with four of the five site visits being made to Historically Black Colleges and Universities. Ideally, Education's risk-based approach would consider not only grant amounts, but also the full list of weighted criteria on its monitoring index, along with other factors such as grant program participation and institution type to ensure that risk is considered across each of the grant programs and a mix of schools are visited.

Staff Training

Education has made progress in developing grant monitoring courses to enhance the skills of Title III and V program staff, but skill gaps remain and limit the ability of program staff to fully carry out their monitoring and technical assistance responsibilities. Since our 2004 report, Education has developed courses on internal control and grants monitoring, but these courses have been attended by less than half of the program staff. For example, of 28 staff members only 2 have completed a new internal control course and 13 have completed a course on grants monitoring. Senior officials at Education we spoke to also identified critical areas where additional training is needed. Specifically, one official told us that the ability to conduct comprehensive reviews of grantees has been hindered because program staff have not had training on how to review the financial practices of grantees. A course on this topic was developed in 2007 but has yet to be offered. Another official said Education needs to provide training for program staff on how to incorporate the results of the external evaluations that grantees are required to complete into their reviews.

Education Lacks Assurance That Grant Funds Are Used Appropriately

Education has not fully implemented its planned monitoring initiatives and lacks assurance that grantees appropriately manage federal funds, increasing the potential for fraud, waste, or abuse. During the course of this study, we reviewed financial and grant project records at seven institutions participating in Title III and V programs in fiscal year 2006. We identified \$142,943 in questionable expenses at 4 of 7 institutions we visited²⁵ (see table 8).

Table 8: Summary of Findings from Financial Site Visits

Grantee	State	Total dollars reviewed	Questionable grant expenses
A	Texas	\$300,438	\$2,127
B	Puerto Rico	353,963	29,258
C	Illinois	226,670	
D	Maryland	427,180	105,117
E	Tennessee	175,388	
F	California	108,977	6,441
G	North Dakota	299,846	
Total		\$1,892,462	\$142,943

Source: GAO analysis of grantee disbursement records conducted during site visits.

At one institution, we identified significant internal control weaknesses and \$105,117 in questionable expenditures. Specifically, a review of grant disbursement records for Grantee D revealed spending with no clear linkage to the grant and instances in which accounting procedures were bypassed by grant staff at the institution. Of the questionable expenditures we identified, \$88,195 was attributed to an activity designed to promote character and leadership development. Of that amount, we found that the institution used more than \$79,975 to pay for numerous student trips to locations such as resorts and amusement parks. According to the grant agreement, the funds were to be used for student service learning projects. Additionally, \$4,578 in grant funds was used to purchase an airplane global positioning system even though the school did not own an airplane. Over \$6,000 of grant funds was used to purchase a desk and chair (see fig. 6). In

²⁵Questionable expenses are expenditures that appear to have been made for incorrect amounts, for unauthorized purposes, or for personal use. They can be inadvertent errors, such as duplicate payments and calculation errors, or violations of grant agreement terms, such as payments for unsupported or inadequately supported claims or payments resulting from fraud and abuse.

purchasing the global positioning system and office furniture, a school official split the payments on an institutionally issued purchase card to circumvent limits established by the institution. Officials at the institution ignored multiple warnings about mismanagement of this activity from external evaluators hired to review the grant. Education visited the school in 2006 but found no problems, and recommended we visit the institution as an example of a model grantee. We referred the problems we noted at this institution to Education's Inspector General for further investigation.

Figure 6: Desk and Chair Purchased by Grantee



Source: GAO.

Examples of the questionable expenditures we identified at three other institutions we visited follow:

- We were unable to complete testing for about \$147,000 of grant fund transactions at Grantee A due to a lack of readily available supporting documentation. For one transaction that was fully documented, the grantee improperly used \$2,127 in grant funds to pay late fees assessed to the college. Once we pointed out that grant funds cannot be used for this purpose, the college took corrective action by writing a check to reimburse the grant.

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- Grantee B used \$27,530 to prepay subscription and contract services that would be delivered after the grant expired.
 - Grantee F used more than \$1,500 in grant funds to purchase fast food and over \$4,800 to purchase t-shirts for students.

We presented Education with the results of our analysis supporting each of our findings related to our grantee visits, and senior officials expressed commitment to follow up on each of the findings in coordination with grantees.

The annual performance reports that grantees are required to submit to receive continued funding provide a key tool for monitoring grantee performance, but we found evidence that the program office is not consistently reviewing these reports. In reviewing seven annual performance reports that fiscal year 2006 grantees submitted late, we found six that lacked detail, provided inaccurate information, or were incomplete. For example, one grantee reported that 80 percent (\$2.3 million) of total funds allotted for the year were committed to “other unspecified activities” instead of clearly listing how the funds were spent, as required. Another institution in the final year of its grant submitted a report that was mostly blank, but it was counted as complete by program staff until we pointed out the discrepancy. The lack of information provided by the institution limits OPE’s ability to follow administrative requirements for closing the grant, and it also significantly impairs its ability to understand the impact federal funds had on this particular campus or whether funds were used appropriately. Education subsequently requested that the school finalize its performance report a full year after it was originally due. While such reports will now be easily accessible through the electronic monitoring system, program staff will still have to take the initiative to review the information to determine whether grantees have demonstrated adequate progress to justify continued funding.

Education’s Ability to Target Technical Assistance Remains Limited

While Education provides technical assistance for prospective and current Title III and V grantees through preapplication workshops and routine interaction between program officers and grant administrators at the institutions, it has not made progress in developing a systematic approach to target the needs of grantees. According to one senior Education official, technical assistance is generally provided to Title III and V grantees on a case-by-case basis at the discretion of program officers. There are no

particular criteria to determine when a program officer should provide technical assistance. For example, officials at a few of the institutions we spoke to told us that Education should provide technical assistance whenever the grant administration staff at an institution changes. Another senior Education official said that technical assistance should be provided when annual performance reports show numerous grantees experiencing similar problems, or if program officers receive numerous calls on a particular issue. Since we found evidence that program staff may not consistently review these reports, the extent to which this type of follow-up is occurring is unclear.

According to grantees we interviewed, the technical assistance Education provides is not consistent throughout the grant cycle. Specifically, several officials from schools at which we conducted interviews were complimentary of the technical assistance Education provided when they were applying for grants. Some of those officials, however, noted a precipitous drop in assistance during the first year after grants were awarded when grantees often need help with implementation challenges, such as recruiting and retaining highly qualified staff, securing matching funds for endowments, and overcoming construction delays. In the past, grantees had an opportunity to address such challenges at annual conferences sponsored by Education, but these conferences have not been held since 2006. Nearly 40 percent of the 113 grantees that provided comments in their annual performance reports requested that Education resume providing the conferences on a regular basis. According to Education officials, resource constraints have prevented them from holding the conferences, but plans are under way to hold a conference in fall 2009. Since Education stopped convening conferences, schools, and in some cases higher education advocacy groups, have hosted conferences at which Education staff participated. For example, five conferences or workshops held for the Title V program in 2008 were hosted by schools or advocacy groups. Officials from a few schools we interviewed said it is important for Education to take the lead in planning conferences to ensure that grantees receive information that is consistent with program rules. They also noted that when conferences were held in locations such as Washington D.C., participation could be expensive and suggested Education consider holding regional conferences to make it more affordable for grantees to attend.

Officials from about half of the schools and some officials from advocacy groups we interviewed also reported that Education could strengthen grantee performance by more broadly disseminating information about successful projects. Education has included limited information on its

Web site about six current and past projects. However, the information for each project is maintained on the specific Title III or V program pages, rather than being presented in a centralized location for the benefit of all grantees. For example, one of the projects that highlighted student retention efforts at a Native Hawaiian institution, a topic that has wide applicability across the grant programs, was only located at the Strengthening Institutions Program Web site. Additionally, this Web information did not consistently include contact information to allow interested schools to contact the featured grantees. School officials said such information sharing would provide lessons learned from similar projects and better leverage the federal investment. For example, an official at a 2-year Strengthening Institutions grantee in North Carolina told us he independently identified a contact at a Title III grantee to discuss the application process, but suggested that a clearinghouse of successful projects would be helpful for connecting institutions with similar challenges.

As we reported in 2004 and 2007, Education's ability to target technical assistance is also limited in that the annual performance reports used to obtain feedback about program improvements may discourage candor because the reports identify grantees and are used to make continued funding decisions. The department also does not readily use the feedback it obtains from grantees to improve the programs. In 2004, we recommended that Education use appropriately collected feedback from grantees to target its technical assistance. While Education agreed with the recommendation and officials said they were considering ways to obtain feedback separate from the annual performance reporting process, Education continues to rely on these reports to obtain feedback. Education has separate feedback mechanisms in place to measure customer satisfaction and gauge the need for program improvement for some of its other programs.²⁶ One senior Education official said the current process for obtaining feedback is adequate for assessing the needs of Title III and V grantees. However, our review of the annual performance reports that fiscal year 2006 grantees submitted found that only 22 percent provided feedback. Additionally, a representative from the contractor responsible for compiling information from the reports said that the narrative data—where feedback from grantees can be found—is not

²⁶Education has collected customer satisfaction data for selected grant programs and federal student aid programs through the American Customer Satisfaction Index to use in decision making for program improvement.

summarized for Education. The 113 grantees that provided feedback in these reports made a number of suggestions for improving the program, including requests for improved communications from Education, consistency in timing of events and reporting requirements, re-establishing annual conferences for grantees, and clarifying program regulations. For instance, Education has posted program regulations on its Web site, but 61 of 113 grantees that provided feedback specifically requested that Education clarify the regulations.

Conclusions

Given the current challenges low-income and minority serving institutions face, and the projected growth in the college-age population, Title III and V funds will continue to play an integral role in helping these institutions address some of their most critical needs. Because these institutions have limited resources, they may need additional assistance to successfully implement their grant projects. Education's role in monitoring and providing assistance to Title III and V grantees is critical to ensuring that the substantial investment the federal government makes in these programs leads to improvements in institutional capacity and student outcomes. When we reviewed the management of these programs in 2004 and 2007, Education had begun several initiatives to improve its monitoring and assistance. However, many of these initiatives never achieved their intended purpose or remain unfinished. Education has made progress in developing tools, such as an electronic monitoring system and risk-based criteria, to assess potential risks associated with Title III and V grants, but it lacks a comprehensive risk-based monitoring and technical assistance approach to target its efforts. Previously, we recommended that the Secretary of Education take steps to ensure that monitoring and technical assistance plans are carried out and targeted to at-risk grantees and the needs of grantees guide the technical assistance offered. At the core of such an approach, which Education has not fully implemented, would be plans to guide its monitoring and technical assistance efforts following a thorough assessment of the risk and needs of grantees. Such an approach would also ensure that more information is shared among grantees about common implementation challenges and successful projects to better leverage the considerable federal investment, and ensure that grantees have an opportunity to provide feedback on areas for program improvement. Additionally, Education has not adequately addressed skill gaps that limit the ability of program staff to carry out monitoring and technical assistance. Consequently, Title III and V funds continue to be at risk for fraud, waste, or abuse. The internal control weaknesses and questionable expenditures we identified at certain grantees we reviewed demonstrate the importance of having a strong

monitoring and assistance program in place. In an environment where Education is called on to administer additional programs with limited resources, a coordinated approach to guide its efforts is critical to ensuring that grant funds are appropriately spent and the needs of grantees are met.

Recommendations for Executive Action

We recommend that the Secretary of Education take the following five actions:

- Develop a comprehensive, risk-based approach to target grant monitoring and technical assistance based on the needs of grantees. In doing so, Education should take steps to ensure that all available tools, including its electronic monitoring system, risk-based criteria, site visits, and grantee annual performance reports, are fully integrated to better target its limited resources.
- Follow up on each of the improper uses of grant funds that were identified in this report.
- Provide program staff with the necessary training to fully carry out monitoring and technical assistance responsibilities.
- Disseminate information to grantees about common implementation challenges and successful projects to leverage the investment that has been made across the programs.
- Develop appropriate mechanisms to collect and use feedback from grantees.

Agency Comments

We provided a draft of this report to officials at the Department of Education for review and comment. In written comments, Education agreed with our findings and recommendations. Officials indicated that they have begun to undertake a number of corrective actions to respond to these recommendations, such as convening a task force to better coordinate program resources toward grantees most in need of monitoring and/or technical assistance. Officials also agreed to provide additional training to new and existing program staff, reinstitute the annual Title III and V project director's meeting in an effort to better disseminate information about the program and successful grants, and implement an e-mail address that grantees can use to provide feedback.

Reinstating the annual Title III and V project director's meeting is an important step in strengthening Education's technical assistance for grantees, but it will be important for Education to develop an approach for disseminating key information to grantees on a more routine basis than annual meetings. Additionally, Education's plan to provide grantees with an e-mail address that is monitored by staff outside the program office may encourage grantees to provide more candid feedback. However, unless Education develops an approach to systematically collect and use the feedback, it may miss opportunities to further improve its oversight efforts. Education also provided technical comments, which we incorporated where appropriate. Education's comments appear in appendix IV.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies of this report to relevant congressional committees, the Secretary of Education, and other interested parties. The report will also be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staff have questions about this report, please contact me at (202) 512-7215 or scottg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

Sincerely yours,



George A. Scott
Director, Education, Workforce, and
Income Security Issue

Appendix I: Objectives, Scope, and Methodology

We reviewed Title III and V grants programs to determine (1) what are the characteristics of institutions eligible to receive grants under Titles III and V, including the characteristics of students served, (2) what challenges do grantees face, and how have they spent Title III and V funds to address these challenges, and (3) to what extent does the Department of Education (Education) monitor the financial and programmatic performance of Title III and V grantees, and use this information to target its technical assistance.

To describe the characteristics of postsecondary institutions eligible to receive grants under Titles III and V, we analyzed 2006 data on 2-year and 4-year public and private, not-for profit institutions from Education's Integrated Postsecondary Education Data System.¹ Historically Black Colleges and Universities and Tribal Colleges that receive formula grants through Title III were automatically included in our eligible population. To determine the number of institutions eligible for discretionary grant programs under Title III and V, we identified postsecondary institutions that had low educational and general expenditures and enrolled more Pell grant recipients, as compared to comparable institutions. To determine eligibility for specific types of grant programs, we also analyzed racial and ethnic data for students enrolled at eligible institutions. Eligible institutions reporting Hispanic student enrollment of 25 percent or more were categorized as Title V eligible. The 2,283 institutions that did not meet any of the criteria mentioned above were categorized as ineligible for participation in the Title III and V grant programs.²

We also analyzed data from Education's 2004 National Postsecondary Student Aid Study (NPSAS), the most recent year for which data were available, to provide insight into student characteristics. Because NPSAS data are based on a representative sample of students enrolled in postsecondary education it does not include the universe of institutions as reported in Integrated Postsecondary Education Data Systems (IPEDS). As a result, it is not possible to discuss the NPSAS data in terms of eligible and ineligible institutions as can be done with IPEDS data. Instead, when

¹Because participation in Title III and V programs is restricted to public and private not-for-profit institutions, for-profit institutions are not included in our analysis.

²Decisions institutions with branch campuses make about whether to report their Integrated Postsecondary Education Data Systems data separately for each branch campus or in the aggregate for an entire system of campuses may have resulted in the number of eligible institutions being underestimated in this report. Branch campuses may apply for the Title III and V programs if they independently meet the eligibility criteria.

discussing NPSAS data, we refer to minority serving and non-minority serving institutions. While only Historically Black Colleges and Universities, Hispanic-serving institutions, and Tribal Colleges are classified as minority serving institutions for NPSAS, these data are the most complete source of information on the characteristics of students attending minority serving institutions. To determine the completeness and reliability of this data, we reviewed the documentation from the National Center for Education Statistics on how the data were collected, interviewed Education officials responsible for handling the data, and performed electronic tests to look for missing or out-of-range values. Based on our reviews and tests, we found the data sufficiently reliable for our purposes.

To describe the challenges that grantees face and how they used grant funds to address their challenges, we reviewed a representative sample of grant applications, all electronically submitted annual performance reports, and interviewed officials from 27 Title III and V grantees. Specifically, we conducted a content analysis of grant applications using a representative sample of 78 of the 511 fiscal year 2006 grantees, allowing us to generalize our findings to the entire population of grantees (see table 9.).

Table 9: Number of 2002 to 2006 Applications Reviewed during Content Analysis

Grant program	Total number of grantees	Sample size and total cases reviewed
Title III, Part A, Strengthening Institutions	222	20
Title III, Part A, Tribal Colleges	27	14
Title III, Part A, Alaska Native Institutions	10	5
Title III, Part A, Native Hawaiian Institution	9	5
Title III, Part B, Historically Black Colleges and Universities	97	16
Title V, Part A, Hispanic Serving Institutions	146	18
Total	511	78

Source: GAO calculations based on Department of Education data.

We stratified our sample by the six programs and, within these strata, randomly selected grantees. Our sample was statistically drawn and weighted so that we could generalize the results of our review across programs. As with all samples, our review of grant files is subject to sampling errors. The effects of sampling errors, due to the selection of a

sample from a larger population, can be expressed as confidence intervals based on statistical theory. Sampling errors occur because we use a sample to draw conclusions about a larger population. If a different sample had been taken, the results might have been different. To recognize the possibility that other samples might have yielded other results, we express our confidence in the precision of our particular sample's results as a 95 percent confidence interval. Each sample element was subsequently weighted in the analysis to account for all members of the population, including those that were not selected.

In conducting our content analysis, we developed a code tree that consisted of potential challenges identified through our review of the literature and interviews with grantees and higher education advocacy groups. Two analysts independently coded each application, and then reconciled any differences in their analysis to ensure inter-rater reliability.

To describe how Title III and V grantees used grant funds to address their challenges, we analyzed data from 503 of 511 fiscal year 2006 grantee annual performance reports that were submitted electronically. To determine the reliability of these data, we interviewed officials from Education and its contractor about limitations with the data collected and how it uses these data. We performed a number of data reliability checks, such as establishing frequency tables for certain variables to check for outliers and missing values. We also ran tests to check for out-of-range values for specific variables. Based on information about outliers provided by Education for a small percentage of these data (about 1 percent), we decided to keep data for all variables supplied by the department. As a result of our tests, we found these data to be sufficiently reliable for our purposes.

To better understand the nature of grantee challenges and how Title III and V grant funds were used to address them, we also interviewed officials from 27 grantee institutions about the challenges they face and their experiences with the grant programs. We selected a nonprobability sample based on program participation, size of grant, and geographic location (see table 10).

Table 10: Summary of GAO Contacts with Title III and V Grantees

Grant program	Location	Number of institutions contacted	
		Site visit	Interview
Strengthening Institutions	North Carolina and Virginia	3	0
Historically Black Colleges and Universities	North Carolina, South Carolina, and Virginia	3	0
Hispanic Serving Institutions	New Mexico and New York	3	4
Tribal Colleges	New Mexico and Montana	2	1
Alaskan Native Serving Institutions	Alaska	0	3
Native Hawaiian Serving Institutions	Hawaii	0	8
Total		11	16

Source: GAO.

We also conducted a review of the literature to gain a better understanding of the challenges that specific types of minority serving institutions face. To determine how Education monitors and provides technical assistance, we conducted interviews with officials at Education and reviewed program requirements, policies, procedure manuals, and monitoring plans. We also conducted additional site visits at seven Title III and V fiscal year 2006 grantees to evaluate their fiscal policies and internal control policies and determine whether program funds were properly used. These institutions were selected using a nonprobability sample based on factors such as program participation, size of grant, and geographic location. The grantees selected were located in California, Illinois, Maryland, North Dakota, Puerto Rico, Tennessee and Texas. Our grantee site reviews were limited in scope and were not sufficient for expressing an opinion on the effectiveness of grantee internal controls or compliance.

Appendix II: Institutional and Student Characteristics, by Program Eligibility Status

	Eligible					Ineligible				
	2-yr public	2-yr private, not-for-profit	4-yr public	4-yr private, not-for-profit	Total	2-yr public	2-yr private, not-for-profit	4-yr public	4-yr private, not-for-profit	Total
Institutional resources (median \$ per student)										
Endowment	\$273	\$2,125	\$1,251	\$6,610	\$1,069	\$287	\$2,781	\$2,623	\$20,391	\$5,451
Tuition and fees	2,163	8,055	4,005	11,826	3,687	2,183	10,868	5,445	19,455	6,952
Institutional expenditures (median \$ per student)										
Instructional equipment	\$1,276	\$2,417	\$3,648	\$5,909	\$2,177	\$1,288	\$3,405	\$4,747	\$8,118	\$4,690
Academic support	449	780	1,065	1,318	675	490	846	1,414	1,916	1,163
Institutional support	862	2,778	1,642	3,922	1,402	901	3,100	1,697	4,665	2,463
Student services	568	1,623	993	2,185	878	595	1,341	1,106	3,192	1,495
Open admission (% of institutions)										
Yes	96%	49%	29%	28%	60%	95%	33%	9%	10%	34%
No	4	51	71	72	40	5	67	91	90	66
Offers remedial services (% of institutions)										
Yes	100%	85%	88%	78%	90%	99%	67%	74%	62%	75%
No	0	15	12	23	10	1	33	26	38	25
Average undergraduate enrollment										
	5,995	497	7,712	1,552	4,595	5,870	291	9,199	1,956	4,575
Race/ethnicity (% of students)										
African American	16%	16%	22%	24%	18%	11%	13%	8%	8%	9%
Asian	7	8	6	3	6	6	3	7	5	6
Hispanic	19	15	25	29	22	11	15	6	6	8
Native American	1	7	1	1	1	1	--	1	1	1
Total minority	43	46	54	56	48	30	30	22	29	24
White	56	54	45	41	51	70	70	76	68	75
Other	1		1	3	1	--	--	2	3	1
Gender (% of students)										
Male	41%	34%	42%	38%	41%	42%	37%	46%	43%	44%
Female	59	66	58	62	59	58	63	54	57	56
Part-time attendance										
	62%	34%	29%	22%	48%	62%	28%	19%	17%	34%

**Appendix II: Institutional and Student
Characteristics, by Program Eligibility Status**

	Eligible					Ineligible				
	2-yr public	2-yr private, not-for- profit	4-yr public	4-yr private, not-for- profit	Total	2-yr public	2-yr private, not-for- profit	4-yr public	4-yr private, not-for- profit	Total
Age at time of first enrollment										
Under 18	7	2	4	3	5	6	2	2	2	4
18 to 24	51	51	70	64	58	53	65	80	77	69
25 or older	42	47	26	34	37	41	33	18	21	27
Financial aid (% of students receiving)										
Pell grants	41%	58%	43%	48%	44%	33%	40%	23%	23%	15%
Federal grant aid ^a	50	68	53	67	54	33	39	23	22	25
Retention rate	55%	49%	67%	65%	60%	56%	67%	74%	75%	69%
Graduation rate	20%	39%	40%	38%	39%	22%	59%	56%	67%	60%

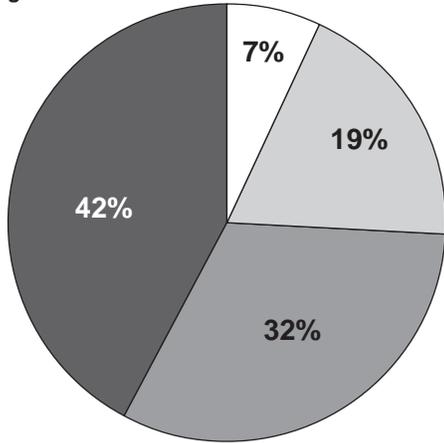
Source: GAO analysis of 2006 IPEDS data and 2006 to 2007 Pell Grant recipient data.

^aFederal grant aid reported in IPEDS captures data for first-time, full-time students only.

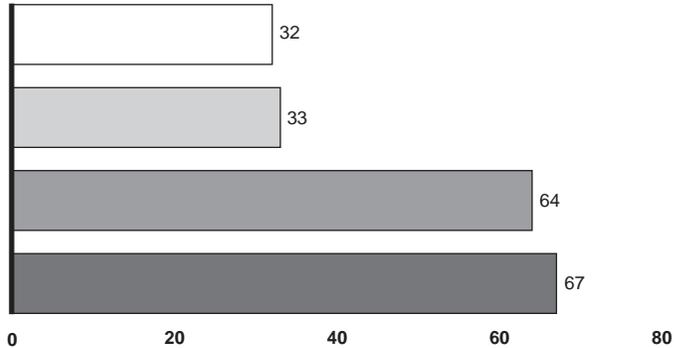
Appendix III: Fiscal Year 2002 to 2005 Grantee Expenditures by Focus Area

Figure 7: Fiscal Years 2002 and 2003 Grantee Expenditures, by Focus Area

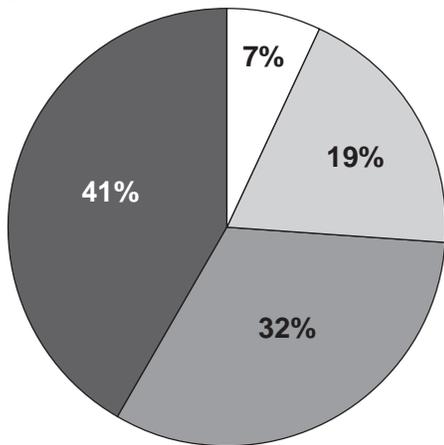
Total expenditures, by focus area, fiscal year 2002 grantees



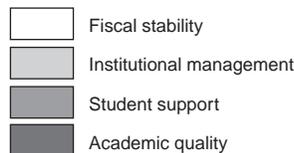
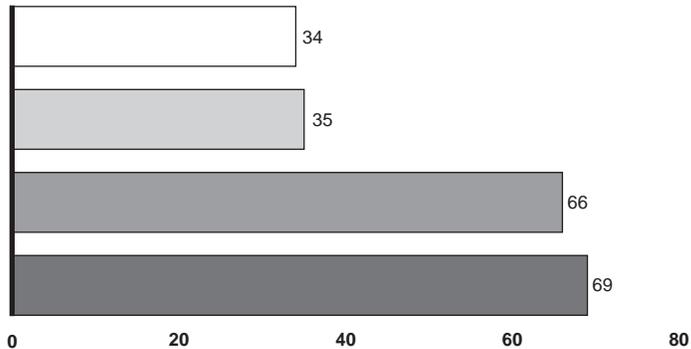
Percentage of fiscal year 2002 grantees undertaking at least one activity, by focus area



Total expenditures, by focus area, fiscal year 2003 grantees



Percentage of fiscal year 2003 grantees undertaking at least one activity, by focus area

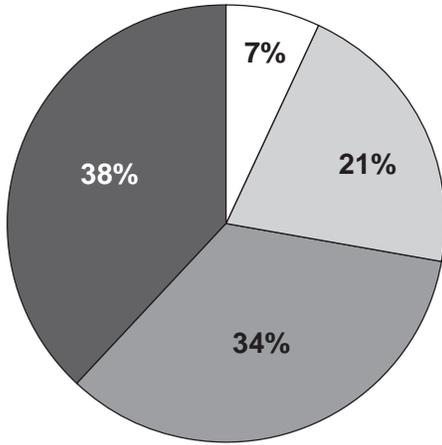


Source: GAO analysis of Department of Education annual performance report data.

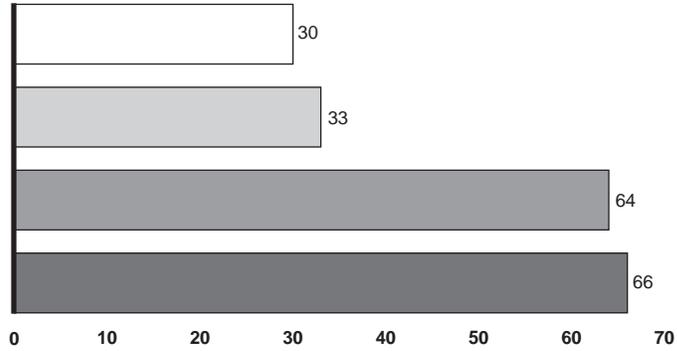
Note: Due to rounding, totals may not add to 100 percent.

Figure 8: Fiscal Years 2004 and 2005 Grantee Expenditures, by Focus Area

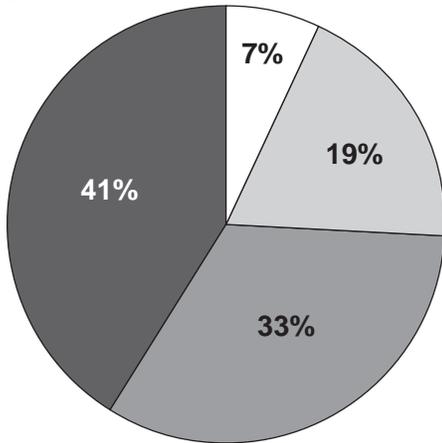
Total expenditures, by focus area, fiscal year 2004 grantees



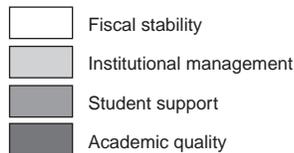
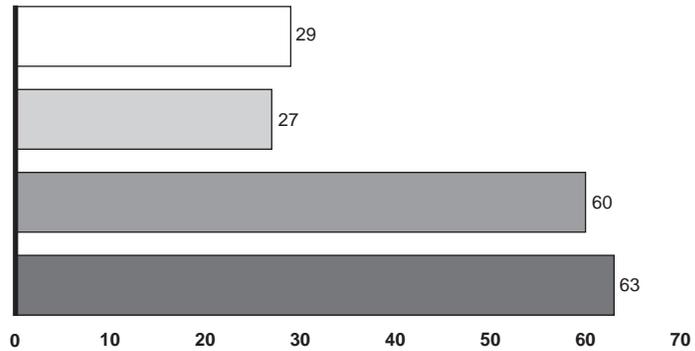
Percentage of fiscal year 2004 grantees undertaking at least one activity, by focus area



Total expenditures, by focus area, fiscal year 2005 grantees



Percentage of fiscal year 2005 grantees undertaking at least one activity, by focus area



Source: GAO analysis of Department of Education annual performance report data.

Appendix IV: Comments from the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

JUN 30 2009

Mr. George A. Scott
Director
Education, Workforce, and
Income Security Issues
United States Government Accountability Office
Washington, DC 20548

Dear Mr. Scott:

Thank you for providing the U.S. Department of Education (the Department) with a draft copy of the U.S. Government Accountability Office's (GAO's) report entitled, "LOW-INCOME AND MINORITY SERVING INSTITUTIONS: Management Attention to Longstanding Concerns Needed to Improve Education's Oversight of Grant Programs" (GAO-09-309).

This study focuses on institutions that serve large proportions of low-income and minority students. GAO was asked to determine: (1) characteristics of institutions eligible to receive grants under Titles III and V, including characteristics of students served, (2) any challenges grantees face, and how they spent Title III and V funds to address these challenges, and (3) to what extent the Department of Education monitors the financial and programmatic performance of Title III and V grantees, and uses this information to target its technical assistance. As a result of its study, GAO made five recommendations to the Department. Below are the Department's responses to each recommendation.

Recommendation 1: *Develop a comprehensive, risk-based approach to target grant monitoring and technical assistance based on the needs of grantees. In doing so, Education should take steps to ensure that all available tools, including its electronic monitoring system, risk-based criteria, site visits, and grantee annual performance reports are fully integrated to better target its limited resources.*

Response: We agree with this recommendation. In May of 2009, the Department convened a Postsecondary Oversight Improvement Task Force to help ensure that the Department's oversight of postsecondary schools is sufficient to protect the investments made with federal aid and to ensure that institutions are able to make informed decisions and accomplish their postsecondary goals. This task force serves as a vehicle for exchanging information and coordinating resources strategically to ensure that those grantees most in need of technical assistance and oversight from the Department receive it.

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Page 2—Mr. George A. Scott

Recommendation 2: *Follow up on each of the improper uses of grant funds that were identified in this report.*

Response: We agree with this recommendation. The Institutional Development and Undergraduate Education Service (IDUES) program officers will coordinate with the Program Oversight staff in the Office of Postsecondary Education (OPE) to conduct site visits at the institutions mentioned in the report. The site visits will include both a programmatic and fiscal review, with corrective actions as appropriate.

Recommendation 3: *Provide program staff with the necessary training to fully carry out monitoring and technical assistance responsibilities.*

Response: We agree with this recommendation. OPE will coordinate with the Department's Risk Management Service to continue to offer grant monitoring training and strongly encourage program staff to participate. OPE will also implement a mentoring process through which each new program officer is paired with an experienced program officer. The two program officers will meet regularly for a full year so that the more experienced program officer can provide the less experienced program officer with detailed training about grants monitoring. In addition, each new program officer will conduct an on-site review with the Program Oversight staff in order to gain valuable field experience in offering technical assistance and providing fiscal review and oversight of grant funds. Further, OPE will continue to offer regular training to its staff on the Grants Electronic Monitoring System as well as training on how to interpret Annual Performance Report data to ensure greater consistency in awarding noncompetitive continuation grants.

Recommendation 4: *Disseminate information to grantees about common implementation challenges and successful projects to leverage the investment that has been made across the programs.*

Response: We agree with this recommendation. IDUES recognizes the need to increase its interactions with grantees and to facilitate interactions among grantees. IDUES will reinstitute the annual meeting of Title III and Title V grantees, which allows grantees to share promising practices and common concerns.

Recommendation 5: *Develop appropriate mechanisms to collect and use feedback from grantees.*

Response: We agree with this recommendation. To capture the kind of feedback necessary for continuous program improvement, we will implement an e-mail address to provide grantees an opportunity to submit comments, questions, praise and criticism to the Department. To encourage candor, an individual not associated with OPE program offices will monitor the mailbox so that grantee input remains anonymous. We will use both e-mail and program office Web sites to encourage grantees to provide this feedback.

Page 3—Mr. George A. Scott

Responses will be redacted as needed and distributed to program office directors regularly for appropriate handling.

We greatly appreciate your examination of this important issue.

Sincerely,



Daniel T. Madzellan
Delegated the Authority to Perform
the Functions and Duties of the
Assistant Secretary for
Postsecondary Education

Attachment

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

George A. Scott, (202) 512-7215 or scottg@gao.gov

Staff Acknowledgments

Debra Prescott (Assistant Director) and Carla Craddock (Analyst-in-Charge) managed this assignment. In addition, the following individuals made important contributions to this report: Susan Aschoff, Jenna Aurand, Carolyn Boyce, Muriel Brown, Sunny Chang, Alisha Chugh, Bonnie Derby, Lauren Fassler, Doreen Feldman, Jeanette Franzel, Alice Feldesman, Lisa Galvan, Jeremie Greer, Melissa Jaynes, Angela Leventis, Sheila McCoy, John Mingus Jr., Lauren Mohlie, Mimi Ngyuen, Dae Park, Susan Ragland, Glenn Spiegel, Sabrina Springfield, Nicholas Weeks, and Doris Yanger.

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