
**Review of the Office of Postsecondary Education's Actions
to Address Talent Search and Educational Opportunity
Centers Grantees That Did Not Serve the Number of
Participants They Were Funded to Serve in Fiscal Years
2003-07**

FINAL INSPECTION REPORT



**ED-OIG/I13I0007
September 2009**

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U.S. Department of Education
Office of Inspector General
Washington, D.C.

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. Determinations of corrective action to be taken will be made by the appropriate Department of Education officials.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Evaluation and Inspection

September 30, 2009

Memorandum

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

FROM: Wanda A. Scott /s/
Assistant Inspector General
Evaluation, Inspection, and Management Services

SUBJECT: Final Inspection Report
Review of the Office of Postsecondary Education's Actions to Address Talent
Search and Educational Opportunity Centers Grantees That Did Not Serve the
Number of Participants They Were Funded to Serve in Fiscal Years 2003-07
Control Number ED-OIG/I13I0007

Attached is the final inspection report of our Review of the Office of Postsecondary Education's Actions to Address Talent Search and Educational Opportunity Centers Grantees That Did Not Serve the Number of Participants They Were Funded to Serve in Fiscal Years 2003-07. We received your comments to our draft report on August 6, 2009. A copy of your response to the draft report in its entirety is attached.

Corrective actions proposed (resolution phase) and implemented (closure phase) will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System (AARTS). Department Policy requires that you develop a proposed corrective action plan for our review in the automated system within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items, and targeted completion dates, necessary to implement final corrective actions on the findings and recommendations contained in this final inspection report.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the reports that remain unresolved after six months from the date of issuance.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

We appreciate the cooperation given us during this review. If you or your staff have any questions, please contact W. Christian Vierling, Director, Evaluation and Inspection Services at 202-245-6964.

Enclosure

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EXECUTIVE SUMMARY

The objective of our inspection was to determine whether the Office of Postsecondary Education (OPE) took appropriate action to address Talent Search and Educational Opportunity Centers (EOC) grantees that did not serve the number of participants they were funded to serve in fiscal years (FY) 2003-07. We found that OPE did not take appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07.

In response to our draft report, OPE did not concur with our recommendation to hold all grantees accountable for not serving the number of participants they were funded to serve because OPE interpreted our recommendation as a requirement to assess a financial penalty whenever a grantee did not serve the number of participants it was funded to serve. OPE stated its general practice has been to not impose financial penalties on grantees that do not meet their funded to serve numbers. OPE did not provide any indication that it would change this practice. We do not view reducing, discontinuing, or recovering funds from grantees that did not meet fundamental performance requirements as a penalty.

It is TRIO management's responsibility to establish policies on how it will determine substantial progress and how it will hold grantees responsible. Although a program office can take other non-financial actions to hold grantees accountable, if there are no financial consequences, the effectiveness of these actions is minimized.¹ There is a performance point at which a financial consequence is appropriate or continuation funding is not warranted. TRIO management has not defined this point and does not hold grantees accountable for failing to serve the required number of students.

The Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* state that a positive control environment is the foundation for all other standards. Several key factors affect an organization's control environment, including the organization's commitment to competence, delegation of authority and responsibility, and human capital policies and practices.

We found that the TRIO program² has a weak control environment because of weaknesses identified regarding the three factors. The weaknesses in TRIO's control environment affected TRIO management's ability to hold grantees accountable for upholding the terms of their grant agreements. Specifically, we found that

- TRIO management did not have a well-defined, transparent process for reviewing grantee performance. TRIO management:

¹ In our random sample of 28 Talent Search and 15 EOC grantees that did not meet their funded to serve number, we found that TRIO staff did not take sufficient non-financial actions to hold grantees accountable for not meeting their funded to serve numbers.

² OPE's Higher Education Preparation and Support Service, or TRIO program, administers the Talent Search and EOC programs.

- Did not provide guidance to program specialists on the criteria that constitute substantial progress in 2007,
 - Did not provide program specialists with a well-defined process for determining grantees' substantial progress in 2007, and
 - Did not require the documentation to ensure a transparent review process in 2007.
- TRIO management did not appropriately oversee program specialists' work. TRIO management:
 - Did not adequately review program specialists' determinations of grantees' substantial progress,
 - Did not ensure that program specialists adequately documented their grantee monitoring activities, and
 - Did not ensure that performance agreements held program specialists responsible for appropriate substantial progress determinations.

As a result of TRIO's weak control environment, TRIO management was unable to take appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07. Specifically, we found that

- TRIO management did not implement a process that appropriately held grantees responsible for not serving the number of participants they were funded to serve. TRIO management:
 - Did not discontinue or reduce continuation funding when grantees reported that they failed to meet the number of participants they were funded to serve,
 - Did not establish appropriate benchmarks for grantees that were funded to serve greater than the regulatory minimum,
 - Used different sets of data to evaluate grantees,
 - Took inconsistent action and based funding decisions primarily on grantees' remaining funds at the end of a program year, and
 - Did not take sufficient actions to address grantees that failed to meet the number of participants they were funded to serve.

We recommend that the Assistant Secretary for Postsecondary Education

1. Define the criteria for substantial progress and develop guidance for program specialists to follow when making substantial progress determinations.
2. Provide program specialists with a well-defined process for determining grantees' substantial progress.
3. Ensure that the review process for evaluating grantee performance is transparent by requiring sufficient documentation.
4. Adequately review program specialists' substantial progress determinations to ensure accuracy, consistency, and appropriateness of decisions.

5. Ensure that program specialists adequately document their grantee monitoring activities in accordance with the Department of Education's *Handbook for the Discretionary Grant Process*.
6. Ensure that performance appraisals hold TRIO staff accountable for appropriately and accurately determining grantees' substantial progress.
7. Hold all grantees accountable for not serving the number of participants they were funded to serve.
8. Use the same data to evaluate grantees' substantial progress and prior experience to ensure that grantees are evaluated consistently.
9. Use GAO's *Internal Control Management and Evaluation Tool* to perform a complete evaluation of the TRIO program's internal controls to determine if there are other internal control weaknesses and implement corrective action for any weaknesses identified.

BACKGROUND

The Talent Search and Educational Opportunity Centers (EOC) programs are two of the programs administered by the Office of Postsecondary Education's (OPE) Higher Education Preparation and Support Service (TRIO). The Talent Search program provides academic, career, and financial counseling to its participants from disadvantaged backgrounds and encourages them to graduate from high school and continue on to a postsecondary institution. The EOC program provides counseling and information on college admissions to qualified adults who want to enter or continue a program of postsecondary education.

TRIO funds grantees to serve a specified number of participants for each year during a grant period. The regulations at 34 C.F.R. § 643.32(b) specify that a Talent Search grantee shall serve a minimum of 600 participants in each year, while the regulations at 34 C.F.R. § 644.32(b) specify that an EOC grantee shall serve a minimum of 1,000 participants in each year.

The Talent Search and EOC programs hold grant competitions every four years. During the 2002-06 grant cycle, there were 474 Talent Search and 140 EOC grantees. During the 2006-10 grant cycle, there were 510 Talent Search and 135 EOC grantees.

The TRIO program is headed by the Director of Higher Education Preparation and Support Service (Director). Between fiscal years (FY) 2003 and 2007 there were two different Directors. Under TRIO, the College and University Preparation Team Leader (Team Leader) is responsible for overseeing the Talent Search, EOC, and Upward Bound grant programs. Between FY 2003 and 2007 there were three different Team Leaders. The Team Leader supervises a staff of program specialists who monitor the performance of the grantees. In 2007, 11 program specialists were responsible for monitoring 1,754 grants, an average of 159 grants per program specialist.

The Department of Education's (Department) *Handbook for the Discretionary Grant Process* states that the determining factor in awarding a continuation award for each year is whether the grantee has made "substantial progress" in attaining the objectives of the grant as evidenced by meeting the grant's performance measures. TRIO program specialists are responsible for determining whether a grantee has made substantial progress for that year and whether to recommend continuation funding for the following year. Program specialists use analysis forms to make their substantial progress determinations and base their determinations on the grantee's interim performance report during the first year of a grant cycle and annual performance reports (APRs) for subsequent years.

TRIO staff use data from the previous program year to determine continuation funding for the following year:

Year TRIO Determines Substantial Progress	FY APR Data Used	FY Determination for Continuation Funding
2003	2001-02	2003-04
2004	2002-03	2004-05
2005	2003-04	2005-06
2006	2004-05	2006-07
2007	2005-06	2007-08
2008	2006-07	2008-09

INSPECTION RESULTS

The objective of our inspection was to determine whether OPE took appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07. We found that the TRIO program has a weak control environment, and as a result, OPE was unable to take appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07.

In response to our draft report, OPE did not concur with our recommendation to hold all grantees accountable for not serving the number of participants they were funded to serve because OPE interpreted our recommendation as a requirement to assess a financial penalty whenever a grantee did not serve the number of participants it was funded to serve. OPE stated its general practice has been to not impose financial penalties on grantees that do not meet their funded to serve numbers. OPE did not provide any indication that it would change this practice. We do not view reducing, discontinuing, or recovering funds from grantees that did not meet fundamental performance requirements as a penalty.

It is TRIO management's responsibility to establish policies on how it will determine substantial progress and how it will hold grantees responsible. Although a program office can take other non-financial actions to hold grantees accountable, if there are no financial consequences, the effectiveness of these actions is minimized. There is a performance point at which a financial consequence is appropriate or continuation funding is not warranted. TRIO management has not defined this point and does not hold grantees accountable for failing to serve the required number of students.

FINDING – OPE Did Not Take Appropriate Action to Address Talent Search and EOC Grantees that Did Not Serve the Number of Participants They Were Funded to Serve in Fiscal Years 2003-07

The *Standards for Internal Control in the Federal Government*, issued by the Government Accountability Office (GAO Standards), state that a positive control environment is the foundation for all other standards. Several key factors affect an organization's control environment, including the organization's commitment to competence, delegation of authority and responsibility, and human capital policies and practices.

We found that the TRIO program has a weak control environment because of weaknesses identified regarding the three factors. The weaknesses in TRIO's control environment affected TRIO management's ability to hold grantees accountable for upholding the terms of their grant agreements. Specifically, we found that TRIO management:

1. Did not have a well-defined, transparent process for reviewing grantee performance, and
2. Did not appropriately oversee program specialists' work.

As a result of TRIO's weak control environment, we found that TRIO management:

3. Did not implement a process that appropriately held grantees accountable for not serving the number of participants they were funded to serve.

Issue No. 1 TRIO Management Did Not Have a Well-Defined, Transparent Process for Reviewing Grantee Performance

The GAO Standards state that human capital policies and practices are a critical control environment factor. To achieve an effective control environment, GAO's *Internal Control Management and Evaluation Tool* recommends that management provide employees with guidance to help ensure proper work flow and reduce misunderstandings. It also recommends that supervisory personnel ensure that staff are aware of their duties and responsibilities and management's expectations.

We found that the TRIO program has a weak control environment because TRIO management:

- Did not provide guidance to program specialists on the criteria that constitute substantial progress in 2007,
- Did not provide program specialists with a well-defined process for determining grantees' substantial progress in 2007, and
- Did not require the documentation to ensure a transparent review process in 2007.

We were unable to evaluate the TRIO program's review process from 2002 to 2006 because TRIO management could not fully describe the process and did not provide any documentation related to the process during those five years.

TRIO management did not provide guidance to program specialists on the criteria that constitute substantial progress in 2007

TRIO management did not provide guidance to program specialists specifying which criteria grantees needed to meet in order to make substantial progress and also did not specify the criteria of an unsuccessful grant. TRIO management stated that program specialists could use their professional judgment to review a grantee's performance; however, TRIO management did not articulate the level of successful performance where a program specialist should determine that a grantee has made substantial progress and the level of unacceptable performance where a program specialist should initiate action against a grantee. The Director said that program specialists would "know" what constituted a good grant and that they did not need a TRIO-specific manual. TRIO management could not ensure the appropriateness of the program specialists' substantial progress determinations without specifying the criteria that constituted a successful grant or specifying the threshold where program specialists should take action on an unsuccessful grant.

TRIO management did not provide program specialists with a well-defined process for determining grantees' substantial progress in 2007

TRIO management could not clearly articulate its process for determining grantees' substantial progress in accomplishing grant objectives. At the start of the inspection, we asked TRIO management to provide us with its policies and procedures for taking action to address grantees

that did not meet their grant requirements. TRIO management provided us with a written summary of its 2007 review process and a set of meeting notes from 2007 (2007 meeting notes) outlining TRIO's procedural steps for reviewing interim performance reports and APRs. TRIO management stated that the meeting notes were from a 2007 meeting that provided instructions to program specialists on how to review interim performance reports and APRs. The 2007 meeting notes were the only documented instructions TRIO management provided to program specialists at the time of their grantee reviews. In the meeting notes, TRIO management provided the following instructions to program specialists:

- For grantees serving 400 or more participants, determine that the grantee made substantial progress and recommend continuation funding,
- For grantees serving fewer than 400 participants, provide a copy of the substantial progress analysis form and other documentation to the senior program specialist for review with the Team Leader on a case-by-case basis.

In the 2007 meeting notes, TRIO management also instructed program specialists that in cases where a grantee made substantial progress but did not spend its entire funding amount, the program specialist should determine whether the grantee requested to "carryover" any amount into the next program year and make a recommendation to the Team Leader. The 2007 meeting notes stated that the Team Leader would decide whether to approve the carryover request or reduce the continuation funding by the amount of the unexpended funds.

In our subsequent meetings and correspondence to clarify TRIO's process, we found that TRIO's 2007 meeting notes did not identify all of the informal steps that TRIO management stated were used in determining substantial progress. There is no evidence that instructions on these additional steps were provided to program specialists; therefore, there is no assurance that all program specialists followed any of these steps during their review of grantee performance.

TRIO's initial written summary of the 2007 process states that if the program specialist cannot initially determine that a grantee has made substantial progress, the program specialist must contact the grantee's project director to obtain an updated status report. TRIO's written summary also states that if the grantee has met the benchmark based on the updated status report, then the program specialist should verify substantial progress and recommend a continuation award. These steps were not included in the 2007 meeting notes provided to program specialists.

In a meeting to clarify TRIO's process, TRIO management stated that its benchmark for reviewing grantees was usually 85 percent of the number of participants the grantee was funded to serve (funded to serve number). TRIO management could not initially explain how the benchmark of 400 participants in the 2007 meeting notes related to the 85 percent benchmark. TRIO management stated that the 2007 benchmark appeared to be two-thirds (66 percent), since 400 is two-thirds of the Talent Search regulatory minimum of 600. When we asked if this two-thirds benchmark also applied to EOC grantees, TRIO management stated it "must have been" because TRIO would have used the same rationale for both programs.

At this point, we requested that TRIO management provide us with a written clarification of the discrepancy in TRIO management's explanation of its process for determining substantial progress. TRIO management explained in its written clarification that the first benchmark for reviewing grantees was 85 percent of the number of participants the grantee was funded to serve.

This benchmark was never mentioned in TRIO's initial written explanation at the start of the inspection. TRIO management explained that program specialists would determine that the grantee made substantial progress if it served at least 85 percent of its funded to serve number and would flag grantees that fell below the 85 percent mark. TRIO management explained that program specialists contacted grantees that served below 85 percent for updated participant numbers. If the grantee was still not serving 85 percent, the program specialist notified the Team Leader who would make a decision regarding continuation funding. TRIO management explained that at this point the two-thirds thresholds of 400 and 666 for the Talent Search and EOC programs, respectively, would serve as an additional flag for the Team Leader and TRIO management, who would then make a decision on the grantee's continuation funding. It has been TRIO management's practice, however, not to establish financial consequences for grantees that fail to meet their funded to serve numbers.

Since TRIO management did not have a well-defined process for determining grantees' substantial progress, program specialists did not have the information and guidance necessary to appropriately hold grantees accountable for upholding the terms of their grant agreements.

TRIO management did not require the documentation to ensure a transparent review process in 2007

The review process lacked transparency because of insufficient documentation in cases where the program specialist determined the grantee did not make substantial progress and provided the grantee's file to the Team Leader for further review. TRIO management stated that in cases when program specialists determined that a grantee did not make substantial progress and should not receive continuation funding, the program specialists were required to elevate the grantee's file to the Team Leader for further review. According to TRIO management, the Team Leader and the Director would then decide if it was necessary to take action against the grantee and what actions to take.

We found no documentation in the grant files for this step in the review process. Within our random sample of 28 Talent Search and 15 EOC grantees that did not meet their funded to serve number,³ there were 6 Talent Search grantees and 1 EOC grantee where the program specialist determined that the grantee did not make substantial progress for a given year and should not receive continuation funding for the following year. For all seven of these grantees, there was no documentation to support that the program specialist elevated the grant file to the Team Leader or that the Team Leader and Director reviewed the grant files. For each of these grantees, it is unclear which criteria, if any, the Team Leader and Director considered in making their funding decisions. In addition, their final funding determinations were not documented in the grant files. Our review found that TRIO awarded continuation funding to all seven of these grantees.

³ We reviewed 17 Talent Search grantees from the 2002-06 grant cycle and 11 from the 2006-10 grant cycle. We reviewed 10 EOC grantees from the 2002-06 grant cycle and four from the 2006-10 grant cycle. One EOC grantee appeared in both the 2002-06 and 2006-10 grant cycles. We only reviewed data from the 2006-07 program year in the 2006-10 grant cycle.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education

1. Define the criteria for substantial progress and develop guidance for program specialists to follow when making substantial progress determinations.
2. Provide program specialists with a well-defined process for determining grantees' substantial progress.
3. Ensure that the review process for evaluating grantee performance is transparent by requiring sufficient documentation.

Issue No. 2 TRIO Management Did Not Appropriately Oversee Program Specialists' Work

The GAO Standards state that an organization's commitment to competence is a key control environment factor. To achieve an effective control environment, the *Internal Control Management and Evaluation Tool* recommends that management analyze the tasks that need to be performed for particular jobs and consider both the level of judgment required and the extent of supervision necessary. It also recommends that performance appraisals be based on an assessment of critical job factors.

The GAO Standards state that an organization's delegation of authority and responsibility is another key control environment factor. To achieve an effective control environment, the *Internal Control Management and Evaluation Tool* recommends that there be an appropriate balance between the delegation of authority at lower levels and the involvement of senior-level personnel. It also recommends that management have effective procedures to monitor results.

We found that the TRIO program has a weak control environment because TRIO management:

- Did not adequately review program specialists' determinations of grantees' substantial progress,
- Did not ensure that program specialists adequately documented their grantee monitoring activities, and
- Did not ensure that performance agreements held program specialists responsible for appropriate substantial progress determinations.

TRIO management did not adequately review program specialists' determinations of grantees' substantial progress

TRIO management did not systematically review the accuracy or appropriateness of program specialists' substantial progress determinations. TRIO management stated that program specialists elevated their determinations of substantial progress to the Team Leader in cases where the program specialist had determined that the grantee did not make substantial progress or if there was an issue that was out of the ordinary. The Team Leader stated that she did not necessarily review the program specialists' determinations of substantial progress for accuracy or appropriate use of professional judgment if the specialist had determined that the grantee made

substantial progress. In addition, TRIO management stated that senior program staff performed a second level review for junior staff and new staff, but that senior program specialists were trusted to perform their work accurately.

TRIO management also did not review substantial progress determinations to ensure the consistency among program specialists. The Director stated that program specialists should have followed up with grantees that were not performing in order to determine whether the grantees were improving. In addition, TRIO management stated that when making substantial progress determinations, program specialists should have contacted grantees that did not serve the number of participants they were funded to serve up until the time that TRIO made the final decisions for continuation funding.

In our random sample of 28 Talent Search and 15 EOC grantees, the extent to which program specialists contacted grantees varied, and as a result, the information used by program specialists to make their substantial progress determinations varied. For example, there were 15 Talent Search grantees in the random sample that did not meet their funded to serve numbers in program year 2002-03. Program specialists requested updated numbers for 3 of these grantees and did not request updated numbers for the remaining 12 grantees. There were also 11 EOC grantees in the random sample that did not meet their funded to serve numbers in program year 2002-03. Program specialists requested updated numbers for 3 of these grantees and did not request updated numbers for the remaining 8 grantees. Whether a program specialist used updated numbers could have affected the program specialists' substantial progress determinations.

Without supervisory review, TRIO management could not ensure the accuracy or the appropriateness of each program specialist's substantial progress determinations and could not ensure consistency of the substantial progress determinations between program specialists.

TRIO management did not ensure that program specialists adequately documented their grantee monitoring activities

We found that TRIO management did not ensure that program specialists adequately documented all of their monitoring activities in the Talent Search and EOC official grant files. As a result, the official grant files in our random sample did not contain complete substantial progress determinations, documentation of any grantee problems elevated to the Team Leader, and documentation of changes to grantees' funded to serve numbers. In addition, the official grant files did not always contain documentation of funding actions taken against grantees.

The Director stated that program specialists are the official file keepers for the Talent Search and EOC programs and that the specialists have the responsibility of maintaining records in the grant files. The Department's *Handbook for the Discretionary Grant Process* specifies that program staff must document all monitoring activity in each grantee's official file and that, at a minimum, documentation of monitoring activities must describe the following:

- Purpose of the monitoring activity,
- Methods and instruments used for monitoring a project,
- Documentation of all monitoring contacts,

- An assessment of the activities that have been completed and how much a grantee's project scope and objectives have been met,
- Results of project activities observed in monitoring or reported by the grantee,
- Findings of grantee noncompliance with Federal legislative or regulatory requirements, and
- Corrective actions for each finding or specific recommendations made for project improvements that have been communicated to the grantee in writing, and the grantee's responses.

Substantial progress determinations. Of the 28 Talent Search and 15 EOC grantees in our random sample, 20 Talent Search and 12 EOC files were missing substantial progress analysis forms for at least one year. For these grantees, we were unable to determine whether the program specialists evaluated the grantees' substantial progress for these years. There were also 9 Talent Search and 6 EOC grant files in our random sample that contained incomplete analysis forms. In these cases, program specialists did not check the box to indicate whether they determined that the grantee made substantial progress and whether they were recommending continuation funding.

Changes to the grantees' funded to serve number. We also found that program specialists did not appropriately document changes to the number of participants grantees were funded to serve. We identified 9 Talent Search and 4 EOC grantees in our random sample that had discrepancies between the number of participants they were funded to serve as stated in OPE's Funded Projects Database⁴ and the number program specialists used to determine substantial progress as stated in the grantees' interim performance reports or APRs. For these grantees, the grant files did not contain documentation explaining or justifying a change to the number of participants the grantees were funded to serve. Without documentation in the grant files to explain the discrepancies, there is no assurance that program specialists used the correct numbers to determine grantees' substantial progress.

Funding actions against grantees. The Director informed us that the official grant files should contain documentation of any action taken against grantees including when a program specialist recommended reducing or stopping funding to grantees. We reviewed 16 Talent Search grantees that TRIO management stated it took funding actions against in 2003 and 2004.⁵ We found that for 2 of the 16 grantees, the grant files did not contain any documentation demonstrating that TRIO management had taken any funding action. In addition, for 10 of the remaining 14 grantees, the grant files did not contain documentation stating TRIO management's rationale for reducing the grantees' funding.

TRIO management did not ensure that performance agreements held program specialists responsible for appropriate substantial progress determinations

As stated above, the *Internal Control Management and Evaluation Tool* recommends that performance appraisals be based on an assessment of critical job factors. TRIO management did not hold program specialists accountable for accurately and appropriately determining grantees'

⁴ TRIO listed each grantee's funded to serve number in its Funded Projects Database. TRIO management provided the information in this database to us for our review.

⁵ We did not review grantees that TRIO took action against as a result of Inspector General audit findings or other OPE internal audit issues.

substantial progress. The performance agreements for program specialists did not specify the need for accuracy when making substantial progress determinations.⁶ The performance agreements specified the procedural steps program specialists were expected to take when a grantee did not make substantial progress, but the agreements did not address the program specialists' appropriate identification of grantees' performance. Without this critical component in the performance agreements, TRIO management's ability to hold program specialists accountable for making the appropriate substantial progress determinations is weakened.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education

4. Adequately review program specialists' substantial progress determinations to ensure accuracy, consistency, and appropriateness of decisions.
5. Ensure that program specialists adequately document their grantee monitoring activities in accordance with the Department's *Handbook for the Discretionary Grant Process*.
6. Ensure that performance appraisals hold TRIO staff accountable for appropriately and accurately determining grantees' substantial progress.

Issue No. 3 TRIO Management Did Not Implement a Process That Appropriately Held Grantees Accountable for Not Serving the Number of Participants They Were Funded to Serve

As a result of weaknesses in TRIO's control environment, TRIO management was unable to take appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07. Specifically, TRIO management:

- Did not discontinue or reduce continuation funding when grantees reported that they failed to meet the number of participants they were funded to serve,
- Did not establish appropriate benchmarks for grantees that were funded to serve greater than the regulatory minimum,
- Used different sets of data to evaluate grantees,
- Took inconsistent action and based funding decisions primarily on grantees' remaining funds at the end of a program year, and
- Did not take sufficient actions to address grantees that failed to meet the number of participants they were funded to serve.

As noted in the chart below, there were a large number of Talent Search and EOC grantees that failed to meet their funded to serve number in at least one year during the two grant cycles we reviewed:

⁶ We reviewed the performance standards in the 2006-07 and 2007-08 performance agreements for TRIO program staff.

Grant Cycle	Program	Total Grantees	Grantees that Failed to Meet their Funded to Serve Number	
			Number	Percentage
2002-06	Talent Search	474	165	35%
2002-06	EOC	140	55	39%
2006-10*	Talent Search	510	109	21%
2006-10*	EOC	135	15	11%

* We only reviewed data from the 2006-07 program year in the 2006-10 grant cycle.

TRIO did not consistently take action against grantees that failed to meet their funded to serve number, and there is no assurance that grantees are being held accountable for upholding the terms of their grant agreements with regards to serving the number of participants they were funded to serve.

TRIO management did not discontinue or reduce continuation funding when grantees reported that they failed to meet the number of participants they were funded to serve

When a grantee reported that it had not met its funded to serve number in the APR, TRIO management instructed program specialists to contact the grantee to obtain the number of participants it was currently serving in the ongoing program year. While the new data was used to determine substantial progress, TRIO management did not discontinue funding, reduce the amount of the continuation funding for the following year, or take any action to hold grantees accountable for the reported failure to meet the prior year funded to serve number. As noted above, it has been TRIO management's practice not to establish financial consequences for grantees that fail to meet their funded to serve numbers.

For example, Umpqua Community College, one of the Talent Search grantees in our random sample, served only 423 participants during the 2002-03 program year but was funded to serve 600 participants. When TRIO conducted its review of 2002-03 APR data in April 2004, the program specialist obtained new data from the grantee stating that it had served 548 participants as of April 13, 2004. The program specialist determined that the grantee had made substantial progress based on this updated number of participants; however, TRIO ignored the data stating that the grantee had failed to meet its funded to serve number in 2002-03. TRIO provided the grantee with an additional opportunity to make substantial progress and did not take any action to address the grantee's failure to meet its funded to serve number.

When determining substantial progress in a given year, TRIO also factored in the grantees' projected progress towards meeting their funded to serve number in that program year. Grantees did not necessarily have to meet their participant numbers as long as they claimed they were making progress towards their funded to serve number. Grantees could be overambitious in providing their participant numbers, allowing them to make substantial progress and to receive continuation funding for the following year. For example, California State University-Long Beach, one of the EOC grantees in our random sample, served only 509 participants during the 2002-03 program year but was funded to serve 1,000 participants. The program specialist contacted the grantee during the review of 2002-03 APR data in April 2004 and noted that the grantee was currently serving "almost 700 participants." The program specialist did not make a substantial progress determination on the analysis form. In a July 2004 e-mail, the grantee stated that it had served 828 grantees and "should exceed the 1,000 number" by the end of the program year. According to the final 2003-04 APR data, however, the grantee did not reach its funded to

serve number of 1,000 participants. The grantee received its full continuation funding for the 2004-05 program year. TRIO did not take any action to address the grantee's failure to meet its funded to serve number in 2002-03 and 2003-04.

By using new data when determining substantial progress and disregarding prior year data when grantees did not meet their funded to serve numbers, TRIO management did not hold grantees accountable for meeting their funded to serve number in every year of a grant. As a result, there was no consequence for grantees failing to meet the terms of their grant agreements.

TRIO management did not establish appropriate benchmarks for grantees that were funded to serve greater than the regulatory minimum

As stated above, in 2007, one of TRIO's benchmarks for flagging a grantee for follow-up was 400 participants for the Talent Search program and 666 participants for the EOC program. The benchmarks were two-thirds of the regulatory minimums for each program. The use of 400 and 666 as the benchmarks does not address grantees with funded to serve numbers greater than the regulatory minimums in either program. Using the 400 and 666 benchmarks, grantees that were funded to serve at the regulatory minimum should have been flagged when they served less than two-thirds of their funded to serve number. Grantees that were funded to serve at greater than the regulatory minimum, however, would not have been flagged at the same two-thirds threshold. As a result of TRIO management using the 400 and 666 benchmarks, grantees that were funded to serve greater numbers of participants were held to a lesser standard than those who were funded at the regulatory minimum.

TRIO management used different sets of data to evaluate grantees

TRIO staff stated that grantees may have been penalized for not meeting their grant requirements during the assessment of prior experience.⁷ TRIO management instructed program specialists to use the funded to serve number in the Funded Projects Database for prior experience assessment; however, TRIO management instructed program specialists to use the funded to serve number from the interim performance report or APR to determine substantial progress. By using data from two different sources to evaluate grantees, TRIO did not appropriately or fairly hold grantees responsible for their performance. As noted above, there were discrepancies between the funded to serve numbers in the Funded Projects Database and the APRs.

TRIO management took inconsistent action and based funding decisions primarily on grantees' remaining funds at the end of a program year

TRIO's process for evaluating grantee performance did not appropriately hold grantees responsible for meeting the number of participants they were funded to serve. TRIO staff stated that the primary reason for taking funding action against a grantee was whether it had a large remaining balance at the end of a program year. The funding adjustments did not hold grantees accountable because TRIO management did not recover expended funds and the actions resulted in grantees having full funding in the subsequent year.

⁷ During grant competitions, TRIO staff assess grantees' prior grant performance and award "prior experience points" to the grantees for meeting grant objectives. The prior experience points can add up to 15 additional points to a grantee's overall application score.

We reviewed 36 grantees that TRIO management stated that it took funding actions against between 2003 and 2007.⁸ Of these, 32 occurred in either 2003 or 2007, the first year of a grantee's project. TRIO staff stated that the primary reason TRIO took action against these grantees was because the grantees had large remaining balances at the end of the program year. TRIO staff stated a grantee having a large remaining balance was mainly a problem in the first year of a grant.

In 2007, 109 Talent Search grantees failed to meet their funded to serve number. TRIO management stated that it reduced the continuation funding for 19 grantees based on their large available balances, and 17 of these grantees did not meet their funded to serve number. TRIO did not take funding action on the remaining 92 Talent Search grantees that did not meet their funded to serve number.

For the 32 grantees where TRIO management took funding actions in 2003 and 2007, TRIO made funding adjustments on the grantees' following year continuation funding, which allowed grantees that had not spent all of their money during the program year to keep, or "carryover," a determined amount of money. In 2007, TRIO reduced the grantees' funding by the difference between their remaining unused funds and this carryover amount. The purpose of the funding action was to adjust the grantees' funding level to its original continuation award amount. Therefore, grantees' failure to serve the number of participants they were funded to serve in the prior year did not adversely affect funding for the subsequent year.

In 2004, TRIO took funding actions against 4 grantees in addition to the 32 grantees from 2003 and 2007 noted above. We determined that TRIO made funding adjustments on two of these grantees' continuation awards because they failed to meet their funded to serve numbers and had large remaining balances. There was no documentation in the grant files explaining why TRIO made funding adjustments on the remaining two grantees' continuation funding; however, we determined that both grantees had large remaining balances at the end of the program year.

Since TRIO focused on the grantees' large remaining balances, it did not adequately address other grantees that had similarly failed to meet their funded to serve number. For example, Mineral Area College, one of the grantees in our random sample of Talent Search grantees, failed to meet its funded to serve number in the 2002-03 program year. TRIO did not take any funding action on the grantee, even though the grantee had served the same number of participants as another Talent Search grantee where TRIO management stated it took action based on the grantee's large available balance.

Grantee	Number Funded to Serve	Actual Number Served	Remaining Balance at the End of Program Year 2002-03	Action Taken by TRIO
Fresno City College	600	276	\$154,893.28	Yes
Mineral Area College	600	276	\$37,560.00	No

⁸ TRIO stated that it took funding actions on 42 grantees between FY 2003 and 2007. TRIO stated that for 36 of these grantees, it took funding action for reasons unrelated to Inspector General audits or other OPE internal audit issues.

The program specialist determined that Mineral Area College did not make substantial progress and did not recommend continuation funding. TRIO management, however, made a subsequent determination to provide full continuation funding to the grantee.

In other cases TRIO did not take consistent funding action against grantees with large remaining balances. For example, TRIO reduced the University of Idaho's EOC funding based on its results from the 2002-03 program year, but TRIO did not take any funding action on the University of Wisconsin-Milwaukee, one of the grantees in our random sample of EOC grantees. This grantee, like the University of Idaho, failed to meet its funded to serve number and had a large remaining balance.

Grantee	Number Funded to Serve	Actual Number Served	Remaining Balance at the End of Program Year 2002-03	Action Taken by TRIO
University of Idaho	1000	608	\$68,459.73	Yes
University of Wisconsin-Milwaukee	1000	602	\$117,085.00	No

TRIO management's practice of not establishing financial consequences for grantees that fail to meet their funded to serve numbers and of reducing continuation funding only on the basis of unexpended amounts at the end of a program year encouraged grantees to spend their grant funds without regard for their performance.

TRIO management did not take sufficient actions to address grantees that failed to meet the number of participants they were funded to serve

TRIO did not take sufficient actions to address grantees that failed to meet their funded to serve number. Within our random sample of 28 Talent Search and 15 EOC grantees that did not meet their funded to serve number, TRIO did not take funding actions on any of the grantees. TRIO also did not sufficiently take actions unrelated to funding to encourage the grantee to increase its number of participants served. In our random sample, there was only one instance where the program specialist informed the grantee that TRIO could potentially reduce its funding for the following year since the grantee had not met its funded to serve number and had not expended all of its funds.

As noted above, program specialists were instructed to follow up with grantees if the grantee had not met its funded to serve number. Our review of the grant files found that this contact was primarily related to program specialists (1) requesting updated data on the number of participants the grantee had served and (2) explaining to the grantee that it could lose prior experience points during the next competition. Other than the instance noted above, there is no evidence that program specialists stressed to the grantees the importance of meeting their funded to serve numbers. The requests for updated numbers served as a second chance for grantees to make substantial progress and did not sufficiently address the grantees' failure to meet their funded to serve numbers.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education

7. Hold all grantees accountable for not serving the number of participants they were funded to serve.
8. Use the same data to evaluate grantees' substantial progress and prior experience to ensure that grantees are evaluated consistently.

TRIO's Control Environment

Given the problems we identified with the control environment in the Talent Search and EOC programs and the importance of the control environment as the basis for all of an organization's internal controls, we recommend that the Assistant Secretary for Postsecondary Education

9. Use GAO's *Internal Control Management and Evaluation Tool* to perform a complete evaluation of the TRIO program's internal controls to determine if there are other internal control weaknesses and implement a corrective action for any weaknesses identified.

DEPARTMENT COMMENTS

On April 27, 2009, we provided OPE with a copy of our draft report for comment. OPE provided its comments to the report on August 6, 2009.

OPE's response to the draft report raised two serious concerns. First, OPE stated that its general practice has been to not impose a financial penalty if a grantee does not meet the number of participants it was funded to serve. OPE did not provide any indication that it would change this practice. Second, OPE did not concur with Recommendation 7 to hold all grantees accountable for not serving the number of participants they were funded to serve as OPE interpreted our recommendation as a requirement to assess a financial penalty whenever a grantee did not serve the number of participants it was funded to serve.

OPE misconstrued our recommendation. We recommended that OPE hold all grantees accountable for not serving the number of participants they were funded to serve, but did not specify that there should be a financial consequence for every grantee that does not meet its funded to serve number. There is a level of performance, however, at which a financial consequence is appropriate or continuation funding is not warranted. TRIO management has not defined this point. We do not view reducing, discontinuing, or recovering funds from grantees that did not meet fundamental performance requirements as a penalty.⁹

The ability to reduce continuation funding or recover grant funds from grantees that do not meet their goals and objectives is the most effective tool program offices have in protecting the interests of taxpayers. Although a program office can take other non-financial actions to hold grantees accountable, if there are no ultimate financial consequences, the effectiveness of these actions is minimized. TRIO management must hold grantees accountable and must revise its process to preserve the integrity of the Talent Search and EOC programs.

TRIO management's practice of not establishing financial consequences for grantees that fail to meet their funded to serve numbers sends the message that grant funds are gifts to the grantees with no consequence for non-performance. We find this practice unacceptable.

Introduction

OPE Comments

OPE stated that the OIG interpreted appropriate action to mean that a grantee failing to meet its funded numbers must be assessed a financial penalty. OPE stated that TRIO management did not assign a financial penalty in this case because the practice conflicts with the principle of substantial progress as stated in the *Handbook for the Discretionary Grant Process* and EDGAR (34 C.F.R. § 75.253). OPE stated that "substantial progress" is an interim measure of a grantee's progress and the Handbook states, "what constitutes substantial progress will vary across programs and projects."

⁹ A financial penalty refers to the imposition of a fine, which we did not recommend. Our draft report included one reference to an OPE action that "did not penalize the grantee." We have clarified that reference in the final report.

OIG Response

As stated above, we do not view reducing, discontinuing, or recovering funds from grantees that did not meet fundamental performance requirements as a penalty. The *Handbook for the Discretionary Grant Process* states, “The program staff must recommend discontinuing funding to grantees that have not demonstrated substantial progress toward meeting project goals and objectives, unless the program official approves changes to the project that will enable the grantee to make substantial progress in succeeding budget periods [see EDGAR § 75.253 (a)(2)].” OPE states that substantial progress is an interim measure; however, Talent Search and EOC grants have annual objectives and requirements, rather than one primary goal at the end of the four-year project period. Each year’s performance is independent of the next and failing to serve the number of students a grantee was funded to serve will directly impact the grantee’s success with regard to other grant objectives.

The regulations at 34 C.F.R. § 75.253 specify that the Secretary may make a continuation award if:

- (1) The Congress has appropriated sufficient funds under the program;
- (2) The recipient has either—
 - (i) Made substantial progress toward meeting the objectives in its approved application; or
 - (ii) Obtained the Secretary’s approval of changes in the project that—
 - (A) Do not increase the cost of the grant; and
 - (B) Enable the recipient to meet those objectives in succeeding budget periods;
- (3) The recipient has submitted all reports as required by Sec. 75.118, and
- (4) Continuation of the project is in the best interest of the Federal Government.

It is TRIO management’s responsibility to establish policies on how it will determine substantial progress and how it will hold grantees responsible. TRIO management’s practice of not establishing financial consequences for grantees that fail to meet goals and objectives is inconsistent with the regulations at 34 C.F.R. § 75.253. TRIO management’s practice does not ensure that all four of these requirements are met. If a grantee does not meet its goals and objectives, then it is not in the best interest of the Federal Government to make a continuation award. We saw no indication that this was taken into consideration when making continuation funding decisions. If there are no financial consequences for grantees that fail to meet their goals and objectives, the effectiveness of any other potential actions taken by a program office, such as additional monitoring and site visits, is minimized.

OPE Comments

OPE took issue with our conclusion, “As a result of TRIO’s weak control environment, we found that TRIO management did not implement a process that appropriately held grantees responsible for not serving the number of participants they were funded to serve.” OPE stated that this statement incorrectly implies that OPE’s control environment, as opposed to OPE’s general practice, resulted in OPE not assigning a financial penalty to grantees for failing to serve the funded number.

OIG Response

OPE’s practice of not establishing financial consequences for grantees results in grantees that are not held accountable for failing to serve the number of participants they were funded to serve.

The TRIO program's control environment has resulted in grantees not being held accountable. As stated in our report, TRIO management did not have a well-defined, transparent process for reviewing grantee performance. We found that TRIO management did not take appropriate action—financial or otherwise—to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve.

OPE Comments

OPE stated that during the exit conference TRIO management suggested that we replace specific terms used in the draft report for which meanings were not clear or precise in the context of the issues discussed. OPE recommended that we not use the terms “transparent” or “transparency” and “successful or unsuccessful grant.”

OIG Response

During the exit conference, we stated that we would clarify that the terms “transparent” and “transparency” referred to the documentation of the TRIO program's substantial progress decisions. These changes were incorporated into the draft report. We also removed the term “successful and unsuccessful grant” from one heading and our proposed recommendation; however, this term is relevant to our finding and remains in the body of the report. The report is clear in stating that TRIO management could not ensure the appropriateness of the program specialists' substantial progress determinations without specifying the criteria that constituted a successful grant or specifying the threshold where program specialists should take action on an unsuccessful grant.

Issue No. 1 TRIO Management Did Not Have a Well-Defined, Transparent Process for Reviewing Grantee Performance

OPE Comments

OPE generally concurred with Issue No. 1. OPE stated that the TRIO program's 2007 meeting notes provided specific guidance on the process and steps associated with each task, included the initial benchmarks, and referenced staff instructions regarding the filing of documents and reviews. OPE stated that in 2008 the TRIO program automated its process for certifying substantial progress. OPE stated that the TRIO program used Excel spreadsheets with data extracted from individual grantee APRs to calculate the extent to which grantees achieved their outcome objectives. OPE stated that the spreadsheets include the calculations needed to determine the level of accomplishment of each objective and the benchmarks set by TRIO management, and completely eliminates manual mathematical calculations. OPE stated that the automated process includes a detailed set of instructions for staff that covers a discussion of the formulae used by the system, the benchmarks or targets, and other guidance to complement specific spreadsheets.

OPE stated that in 2009 the TRIO program implemented a more formal written process which includes an extensive seven-page form accompanied by detailed instructions specifying the steps program specialists must follow to determine if a grantee is making substantial progress. OPE adds that program specialists must now obtain and attach documentation to the form prior to forwarding it to the Team Leader, and the form includes a section for the Team Leader and TRIO Director to address situations in which the program specialist has noted concerns or cannot certify substantial progress. OPE states that in this section, TRIO management can select from a list of action options, such as a reduction of award, and monitoring options that the program

specialist must conduct, such as specific periodic reports from the grantee, site visits, or routed payments.

OPE stated that since 2007, TRIO management has significantly improved the internal control environment as a result of these changes. OPE stated that Team Leaders can now identify which substantial progress assessments will need further review, and TRIO management can readily identify all of the assessments that identify projects with achievement rates falling below a particular threshold and needing further review or action.

OIG Response

As noted in our report, the 2007 meeting notes did not identify all of the informal steps that TRIO management stated were used in determining substantial progress. OPE's response lists changes in the TRIO program's control activities; however, its control environment remains unchanged. In light of TRIO management's practice of not establishing financial consequences for grantees that fail to meet their funded to serve number, TRIO management's changes may have no effect on its ability to hold grantees accountable. As noted above, if the TRIO program does not reduce, discontinue, or recover grant funds, the effectiveness of any other potential actions it takes is minimized.

Recommendation 1.1 (renumbered Recommendation 1)

Define the criteria for substantial progress and develop guidance for program specialists to ensure appropriate funding decisions.

OPE Comments

OPE generally concurred with this recommendation. OPE stated that it is more appropriate to use the term "substantial progress determinations" rather than "funding decisions" because the new wording more accurately reflects the staff's role in determining substantial progress. OPE reiterated that TRIO management has made several improvements to its process and procedures for determining substantial progress.

OIG Response

We have revised the recommendation based on OPE's concerns. We have not evaluated the effectiveness of the TRIO program's new procedures; however, in light of TRIO management's practice of not establishing financial consequences for grantees that fail to meet their funded to serve number, TRIO management's changes may have no effect on its ability to hold grantees accountable.

Recommendation 1.2 (renumbered Recommendation 2)

Provide program specialists with a well-defined process for determining grantees' substantial progress.

OPE Comments

OPE concurred with this recommendation. OPE stated that in its corrective action plan it will provide a well-defined process for reviewing grantee performance, but stated that this process for determining substantial progress must allow TRIO management and staff to use professional judgment when it may be in the best interest of the program to continue a project that has not met the established criteria for determining substantial progress. OPE stated that in these cases, TRIO management and staff will fully document the reasons for their decisions in the official

grant file. OPE provided two hypothetical examples demonstrating the importance of professional judgment.

OIG Response

No changes have been made to this recommendation. We agree that the use of professional judgment must be accompanied by documented justification for decisions. As noted in our report, TRIO management did not ensure that program specialists adequately documented all of their monitoring activities in the official grant files. We did not see any evidence of documented justification for decisions in our file review similar to the hypothetical situations noted in OPE's comments in response to our draft report.

Recommendation 1.3 (renumbered Recommendation 3)

Ensure that the review process for evaluating grantee performance is transparent by requiring sufficient documentation.

OPE Comments

OPE concurred in part with this recommendation. OPE suggested rewording the recommendation by replacing the term "transparent" with a more clearly-defined term.

OIG Response

No changes have been made to this recommendation. As noted above, "transparent" refers to the documentation of the TRIO program's substantial progress decisions.

Issue No. 2 **TRIO Management Did Not Appropriately Oversee Program Specialists' Work**

OPE Comments

OPE concurred with our finding that TRIO management did not adequately review program specialists' determinations of grantees' substantial progress. OPE stated that in its corrective action plan, it will identify a new approach to review substantial progress determinations. OPE stated that during the exit conference, the OIG understood that due to the number of grants, it may not be feasible for the Team Leader to conduct second reviews of all staff substantial progress determinations and acknowledged that sampling may be necessary.

OPE reiterated that in 2008 TRIO management implemented an automated process to certify substantial progress. OPE stated that this automation replaces all manual calculations and associated human error, greatly enhancing the Team Leader's ability to systematically review staff work and identify those grantees requiring additional monitoring and assistance.

OIG Response

It is TRIO's responsibility to determine how the Team Leader should review program specialists' determinations of grantees' substantial progress. We agree that supervisory review may involve taking a sample of program specialists' substantial progress determinations. In addition, our concern in this section was not with calculation errors on the part of program specialists, but with the consistency of how program specialists determined substantial progress.

OPE Comments

OPE concurred with our finding that TRIO management did not ensure that program specialists adequately documented their grantee monitoring activities. OPE stated that although TRIO management provided guidance for staff, not all staff adequately documented the monitoring activities cited in the report. OPE added that in addition to ensuring that staff document these actions, TRIO management, to the extent possible, will also ensure that staff carry out the monitoring activities stated in the Handbook that apply to the administration of the programs. OPE reiterated that TRIO program specialists have some of the highest grant workloads in any OPE service area.

OIG Response

No changes have been made to the finding. We note that documentation alone, will not correct the control environment problems in light of the TRIO program's practice of not establishing financial consequences for grantees that do not serve the number of participants they were funded to serve.

OPE Comments

OPE concurred in part with our finding that TRIO management did not ensure that performance agreements held program specialists responsible for appropriate substantial progress determinations. OPE stated that TRIO management will ensure that performance agreements hold staff accountable for following the prescribed written guidance and procedures for making substantial progress determinations and for documenting decisions based on professional judgment. OPE stated that TRIO management would modify staff performance agreements to reflect these requirements, though it did not agree with the use of the term "appropriate," since the term is subjective and open to interpretation. OPE stated that the procedures will require the Team Leader and/or TRIO Director to approve recommendations based on professional judgment.

OIG Response

The term "appropriate" does not refer to whether a program specialist's professional judgment is accurate or inaccurate. Program specialists need to make appropriate substantial progress determinations based on the accurate use of grantee data. These determinations must be adequately justified and documented in the official grant file. Program specialists cannot make appropriate decisions without guidance from management on when action must be taken and what the appropriate action should be.

Recommendation 2.1 (renumbered Recommendation 4)

Adequately review program specialists' substantial progress determinations to ensure accuracy, consistency, and appropriateness of decisions.

OPE Comments

OPE concurred with this recommendation. OPE stated that in 2009 TRIO management will identify an approach to review staff substantial progress determinations that balances the need to increase oversight with time constraints and available resources.

OIG Response

No changes have been made to this recommendation.

Recommendation 2.2 (renumbered Recommendation 5)

Ensure that program specialists adequately document their grantee monitoring activities in accordance with the Department's *Handbook for the Discretionary Grant Process*.

OPE Comments

OPE concurred with this recommendation. OPE stated that TRIO staff will document per written guidance their substantial progress determinations and monitoring activities. OPE stated that in addition to ensuring that staff document substantial progress determinations, changes to the number of students served, and funding actions; TRIO management will also ensure that the monitoring activities stated in the *Handbook for the Discretionary Grant Process* that are applicable to the administration of these TRIO programs are carried out to the best of their ability.

OIG Response

No changes have been made to this recommendation.

Recommendation 2.3 (renumbered Recommendation 6)

Ensure that performance appraisals hold TRIO staff accountable for appropriately and accurately determining grantees' substantial progress.

OPE Comments

OPE concurred in part with this recommendation. OPE stated that TRIO management will modify staff performance agreements to hold staff accountable for following the prescribed written guidance and procedures for making substantial progress determinations and for documenting situations in which professional judgment is used. OPE reiterated that it does not agree with the use of the term "appropriate" in this context, since the term is subjective and open to interpretation.

OIG Response

No changes have been made to this recommendation. As noted above, the term "appropriate" does not refer to whether a program specialist's professional judgment is accurate or inaccurate. Program specialists need to make appropriate substantial progress determinations based on the accurate use of grantee data. These determinations must be adequately justified and documented in the official grant file.

Issue No. 3 **TRIO Management Did Not Implement a Process That Appropriately Held Grantees Accountable for Not Serving the Number of Participants They Were Funded to Serve**

OPE Comments

OPE did not concur with our finding that TRIO management did not implement a process that appropriately held grantees responsible for not serving the number of participants they were funded to serve. OPE stated that this finding suggests that the TRIO program should reduce a grantee's continuation funding if the grantee fails to serve the number of participants the project was funded to serve. OPE stated that this issue and the subsequent recommendations are inconsistent with the regulations at 34 C.F.R. § 75.253, the *Handbook for the Discretionary Grant Process*, and established processes and procedures for OPE grants management. OPE stated that a grantee failing to serve the number of participants it was funded to serve does not

equate with misuse of program funds or lack of substantial progress. OPE stated that since the funded number is one of several project objectives, the TRIO program's policy dictates using the funded number as only one indicator of substantial progress. OPE stated that if grantees serve 85 percent or more of their funded numbers and no other problems have been identified, the program specialist will certify that the grantee is making substantial progress; if grantees are serving less than 85 percent, the grantee may still receive a continuation award if the program specialist uses professional judgment to determine the best interests of the program. OPE stated that these policies are consistent with the concept of substantial progress that governs decisions in awarding continuation funding for discretionary grantees.

OIG Response

As noted above, the *Handbook for the Discretionary Grant Process* states, "The program staff must recommend discontinuing funding to grantees that have not demonstrated substantial progress toward meeting project goals and objectives, unless the program official approves changes to the project that will enable the grantee to make substantial progress in succeeding budget periods [see EDGAR § 75.253 (a)(2)]." The regulations at 34 C.F.R. § 75.253 specify that the Secretary may make a continuation award if:

- (1) The Congress has appropriated sufficient funds under the program;
- (2) The recipient has either—
 - (i) Made substantial progress toward meeting the objectives in its approved application; or
 - (ii) Obtained the Secretary's approval of changes in the project that—
 - (A) Do not increase the cost of the grant; and
 - (B) Enable the recipient to meet those objectives in succeeding budget periods;
- (3) The recipient has submitted all reports as required by Sec. 75.118, and
- (4) Continuation of the project is in the best interest of the Federal Government.

It is TRIO management's responsibility to establish policies on how it will determine substantial progress and how it will hold grantees responsible. TRIO management's practice of not establishing financial consequences for grantees that fail to meet goals and objectives is inconsistent with the regulations at 34 C.F.R. § 75.253 and does not ensure that all four of these requirements are met. We saw no indication that this was taken into consideration when making continuation funding decisions. If there are no financial consequences for grantees that fail to meet their goals and objectives, the effectiveness of any other potential actions taken by a program office, such as additional monitoring and site visits, is minimized. The results of the other objectives noted by OPE are a direct outgrowth of the number of students served. When a grantee fails to serve the number it was funded to serve, the other objectives will, by necessity, be negatively impacted. The benchmarks noted by OPE may not be effective given TRIO management's practice of not establishing financial consequences for grantees that fail to meet their funded to serve numbers.

OPE Comments

OPE concurred in part with our finding that TRIO management did not establish appropriate benchmarks for grantees that were funded to serve greater than the regulatory minimum. OPE stated that this statement is accurate for fiscal years 2003-07, but since 2007, it has established benchmarks for grantees that were funded to serve a number of participants greater than the

regulatory minimum. OPE stated that for 2008 and 2009, TRIO management has established a benchmark at 85 percent of the funded number for all grantees.

OIG Response

No changes have been made to this finding; however, we acknowledge that TRIO management has updated its procedures for 2008 and 2009. We note that benchmarks may not be effective given TRIO management's practice of not establishing financial consequences for grantees that fail to serve the number they were funded to serve. As noted in our report, TRIO management also did not take sufficient non-financial actions against grantees that failed to meet the number of participants they were funded to serve.

OPE Comments

OPE concurred with our finding that TRIO management used different sets of data to evaluate grantees. OPE stated that it is TRIO management's policy to use interim performance report data to make substantial progress determinations for grantees that are in the first year of operation because they have not submitted the APR by the time the continuation grant is awarded. OPE stated that the APR data are used for determining prior experience points for those same first-year projects.

OIG Response

No changes have been made to the finding. Our finding did not address TRIO management's use of interim performance reports and APRs from one year to the next. This section stated that TRIO management instructed program specialists to use the funded to serve number in the Funded Projects Database for prior experience assessment, but also instructed the program specialists to use the funded to serve number from the interim performance report or APR to determine substantial progress. As noted in our report, there were discrepancies between the funded to serve numbers in the Funded Projects Database used for assessing prior experience and the APRs used for determining substantial progress.

OPE Comments

OPE concurred with our finding that TRIO management took inconsistent action and based funding decisions primarily on grantees' remaining funds at the end of a program year. OPE stated that TRIO management's use of an automated process will allow for the identification of potential inconsistencies during the substantial progress review. OPE stated that TRIO management will address this problem by strengthening written guidance for specialists and by modifying performance agreements. OPE stated that even with the efforts to strengthen internal controls and increase efficiencies through the use of automation, extremely high grant workloads impact the extent to which the improved processes can result in increased efficiency and effectiveness.

OIG Response

OPE's comments do not address our finding that TRIO management based funding decisions primarily on grantees' remaining funds at the end of a program year. As stated above, if there are no financial consequences for grantees that fail to meet their goals and objectives, the effectiveness of any other potential actions is minimized. The TRIO program's actions support the conclusion that it does not hold grantees accountable. We clarified the finding to explain the nature of TRIO management's funding adjustments.

OPE Comments

OPE concurred with our finding that TRIO management did not take sufficient actions to address grantees that failed to meet the number of participants they were funded to serve. OPE stated that in some situations TRIO staff did not take sufficient actions with regard to grantees failing to meet the number of participants they were funded to serve. OPE stated that TRIO management's policy allows for several actions that might be taken when a grantee fails to serve the funded number of participants. OPE stated that in some instances, a grantee may receive a reduction in funding, and in other instances, a grantee may receive various forms of monitoring to reinforce the importance of meeting their funded numbers and to periodically assess the project's progress.

OIG Response

No changes have been made to the finding. As noted in the report, we did not find that TRIO management took sufficient action against grantees that failed to meet the number of participants they were funded to serve. TRIO management based funding decisions primarily on grantees' remaining funds at the end of a program year. In our random sample of 28 Talent Search and 15 EOC grantees that did not meet their funded to serve number, there was only one instance where the program specialist informed the grantee that TRIO could potentially reduce its funding for the following year since the grantee had not met its funded to serve number and had not expended all of its funds.

Recommendation 3.1 (renumbered Recommendation 7)

Hold all grantees accountable for not serving the number of participants they were funded to serve.

OPE Comments

OPE did not concur with this recommendation. OPE stated that it appears that the OIG interprets appropriate action to mean that a grantee failing to meet its funded numbers must be assessed a financial penalty. OPE stated that TRIO management does not reduce a continuation award each time a grantee fails to meet the number of participants they were funded to serve because that practice conflicts with the principle of substantial progress as stated in the Handbook for Discretionary Grants and EDGAR (34 C.F.R. § 75.253). OPE stated that there are other ways that a grantee can be held accountable, such as losing prior experience points in the next grant competition, which would likely impact its continued funding.

OIG Response

No changes have been made to this recommendation. As stated above, OPE has misconstrued our recommendation. It is TRIO management's responsibility to establish policies on how it will determine substantial progress and how it will hold grantees responsible. TRIO grants have annual goals and objectives that do not build up to final grant completion. The goals and objectives are standalone for each year. This is how the TRIO program can award prior experience points for each year rather than for the entire grant period. TRIO management's practice of reducing continuation funding only when carryover funds are available and its practice of not establishing financial consequences encourages grantees to spend all of their funds regardless of performance. We did not recommend that all grantees failing to meet their funded numbers must be assessed a financial penalty. There is a performance point at which a financial consequence is appropriate or continuation funding is not warranted. TRIO management has not defined this point and does not hold grantees accountable. As a result of TRIO management's practice of not establishing financial consequences for grantees that fail to

meet goals and objectives, the effectiveness of any other potential actions taken by a program office is minimized.

OPE states that the TRIO program can hold grantees accountable through the loss of prior experience points. But as OPE notes, these points are awarded in the next grant competition, and not the current grant cycle. When a grantee does not serve the number it was funded to serve, students who could have benefited from the services are hurt. Grantees are encouraged to spend all of their grant funds without regard to whether they have served the students they agreed to serve.

Recommendation 3.2 (renumbered Recommendation 8)

Use the same data to evaluate grantees' substantial progress and prior experience to ensure that grantees are evaluated consistently.

OPE Comments

OPE did not concur with this recommendation. OPE stated that comprehensive program data are not always available and TRIO management's policy is to use interim performance report data to make substantial progress determinations for grantees in their first year of operation. OPE stated that these grantees have not submitted the APR by the time the continuation grant is awarded. OPE stated that the TRIO program does use the APR data to determine prior experience points for those same first-year projects.

OIG Response

No changes have been made to the recommendation. As stated above, our finding did not address TRIO management's use of interim performance reports and APRs from one year to the next. The finding stated that TRIO management instructed program specialists to use the funded to serve number in the Funded Projects Database for prior experience assessment, but also instructed the program specialists to use the funded to serve number from the interim performance report or APR to determine substantial progress. Our recommendation is for TRIO management to use the same data to evaluate grantees' substantial progress and prior experience so that there is consistency in the evaluation.

Recommendation 4.1 (renumbered Recommendation 9)

Use GAO's *Internal Control Management and Evaluation Tool* to perform a complete evaluation of the TRIO program's internal controls to determine if there are other internal control weaknesses and implement a corrective action for any weaknesses identified.

OPE Comments

OPE did not concur with this recommendation. OPE acknowledged the need to strengthen the TRIO program's control environment regarding the administration of the substantial progress determinations for the Talent Search and EOC programs and stated that it has already implemented tighter controls. OPE stated that the Internal Control Management and Evaluation Tool does not appear to be an appropriate tool to address problems identified in the inspection and that it seems to require an agency-level evaluation, which is beyond the scope of the inspection. OPE stated that it will examine the evaluation tool to see if it has utility for the TRIO program's needed process improvements to address those weaknesses already identified by the OIG.

OIG Response

No changes have been made to this recommendation. The internal control weaknesses identified in our inspection concerned the TRIO program. The evaluation should be a review of the entire TRIO program given the significant internal control weaknesses identified with the control environment. A complete assessment of internal controls is not likely to have any impact or result in improvement as long as the organizational culture remains the same.

OBJECTIVE, SCOPE, AND METHODOLOGY

The objective of our inspection was to determine whether OPE took appropriate action to address Talent Search and EOC grantees that did not serve the number of participants they were funded to serve in FY 2003-07.

We began our fieldwork on July 22, 2008 and conducted an exit conference on March 24, 2009.

We reviewed Talent Search and EOC regulations and interviewed OPE staff in the TRIO program. We reviewed the Department's *Handbook for the Discretionary Grant Process*. We also reviewed performance standards in the 2006-07 and 2007-08 performance agreements for TRIO program staff. To determine relevant and appropriate internal control factors, we reviewed GAO's *Standards for Internal Control in the Federal Government* and *Internal Control Management and Evaluation Tool*.

Review of OPE's process for reviewing grantee performance. To determine TRIO's process for reviewing grantee performance, we reviewed TRIO management's written summary of its 2007 review process. We also reviewed TRIO management's meeting notes from 2007 outlining the procedural steps for reviewing grantee performance. We interviewed TRIO management to resolve discrepancies in its explanation of the review process. We also prepared a written summary of our understanding of TRIO's process and provided TRIO management with the opportunity to revise our description.

Review of a random sample of grantees. To answer our objective, we reviewed the official grant files for a random sample of grantees that did not serve the number of participants they were funded to serve between FY 2003 and 2007. For each grant file, we reviewed the grantee's interim performance reports, the grantee's APRs, the program specialists' analysis forms, the Department's grant award notification forms, and related correspondence.

The sample population consisted of grantees that did not meet their funded to serve number in at least one year. To ensure that we represented grantees in both grant cycles covered in our scope, we selected separate samples from both the 2002-06 and 2006-10 grant cycles. We only reviewed data from the 2006-07 program year in the 2006-10 grant cycle.

To determine the population of our sample, we used data provided by OPE staff. OPE provided 2002-03, 2003-04, and 2004-05 program year data from its spreadsheets used to calculate prior experience points for the 2006 Talent Search and EOC grant competitions and a separate set of data for the 2005-06 and 2006-07 program years. OPE based this data on its Funded Projects Database and APRs. OPE failed to include one grantee, Hall Neighborhood House, in the data it provided us; therefore, this grantee was not in our sample population. As stated in the results above, we also identified discrepancies between the number of participants grantees were funded to serve as stated in OPE's Funded Projects Database and the number program specialists used to determine substantial progress as stated in the grantees' interim performance reports or APRs.

For the 2002-06 grant cycle, 165 out of 474 Talent Search grantees and 55 out of 140 EOC grantees did not meet their funded to serve number for at least one year. For the 2006-07 program year, 109 out of 510 Talent Search grantees and 15 out of 135 EOC grantees did not meet their funded to serve number for at least one year.

We initially generated a sample of 20 percent of the grantees in each program and grant cycle that did not meet their funded to serve number for at least one year. Since the 2006-07 EOC population contained only 15 grantees, we generated a random sample of 5 grantees. We reviewed half of the grantees (10 percent) in the 2002-06 Talent Search, 2002-06 EOC, and 2006-07 Talent Search samples and all five grantees in the 2006-07 EOC sample to determine whether OPE took any action to address grantees that did not meet their funded to serve number. We did not identify any actions in the 2002-06 Talent Search, 2006-10 Talent Search, and 2006-10 EOC samples. We identified one exception in the 2002-06 EOC sample and reviewed the entire 20 percent generated for that sample.

In total, we reviewed 17 Talent Search grantees from the 2002-06 grant cycle and 11 from the 2006-10 grant cycle. We reviewed 11 EOC grantees from the 2002-06 grant cycle and 5 from the 2006-10 grant cycle. One EOC grantee appeared in both the 2002-06 and 2006-10 grant cycles. We accessed the Department's Grant Administration and Payment System (GAPS) to determine whether the Department took any funding action on these grantees between FY 2003 and 2007.

Review of grantees from OPE's list of funding actions. TRIO management stated that it took funding actions on 42 Talent Search and EOC grantees between FY 2003 and 2007. None of these grantees were selected in our random sample. We reviewed the 36 grantees that TRIO management stated that it took funding actions against for reasons unrelated to Inspector General audits or other OPE internal audit issues. OPE took these funding actions in 2003, 2004, and 2007. To determine the nature of the funding action, we reviewed the official grant files for grantees that OPE took funding action against in 2003 and 2004. For each grant file, we reviewed the grantee's interim performance reports, the grantee's APRs, the program specialists' analysis forms, the Department's grant award notification forms, and related correspondence. After our review of the 2003 and 2004 files, TRIO management stated its primary reason for taking funding action against a grantee in 2007 was whether it had a large remaining balance at the end of a program year; therefore, we did not review the grantees that OPE took funding action against in 2007. We accessed GAPS to confirm the Department's funding actions.

Our inspection was performed in accordance with the *2005 President's Council on Integrity and Efficiency Quality Standards for Inspections* appropriate to the scope of the inspection described above.



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

MEMORANDUM

DATE: AUG - 6 2009

TO: Wanda A. Scott
Assistant Inspector General
Evaluation, Inspection, and Management Services

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

SUBJECT: Comments on Draft Inspection Report
Review of the Office of Postsecondary Education's Actions to Address Talent
Search and Educational Opportunity Centers Grantees That Did Not Serve the
Numbers of Participants They Were Funded to Serve in Fiscal Years 2003 - 2007
(Control Number ED-OIG/I13I0007)

The objective of the audit was to determine whether the Office of Postsecondary Education (OPE) took appropriate action to address Talent Search (TS) and Educational Opportunity Centers (EOC) grantees that did not serve the number of participants they were funded to serve in fiscal years (FY) 2003-2007. We have reviewed the draft inspection report and have the following comments regarding its findings and recommendations.

FINDING – OPE Did Not Take Appropriate Action to Address Talent Search and EOC Grantees that Did Not Serve the Number of Participants They Were Funded to Serve in Fiscal Years 2003-07

Before we address the specific issues identified by the Office of Inspector General (OIG), we would like to emphasize three points. The first point concerns OPE's interpretation of what constitutes appropriate action when TS and EOC grantees do not serve the number of participants they were funded to serve. Although the OIG has not specifically defined the term "appropriate action" in its report, it appears that the OIG interprets appropriate action to mean that a grantee failing to meet its funded numbers must be assessed a financial penalty. OPE did not assign a financial penalty in this case because doing so would have conflicted with the principle of substantial progress as stated in the Handbook for the Discretionary Grants Process (Handbook) and EDGAR (34 CFR 75.253). As the term suggests, "substantial progress" is an interim measure of a grantee's progress in meeting its approved objectives, one of which is serving the number of participants the grantee was funded to serve. In certifying "substantial progress," OPE certifies that the grantee is making substantial progress and thus should be

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awarded a continuation grant. As clearly stated on page 102 of the Handbook, “what constitutes substantial progress will vary across programs and projects.”

Second, the OIG states that, “As a result of TRIO’s weak control environment, we found that TRIO management did not implement a process that appropriately held grantees responsible for not funding the number of participants they were funded to serve.” Given OIG’s interpretation that appropriate action should be equated with financial penalty in this situation, the statement above implies that OPE’s control environment, as opposed to OPE’s general practice, results in OPE not assigning a financial penalty to grantees failing to serve the funded number. This is not the case.

OPE acknowledges weaknesses in the process and procedures TRIO staff used to determine substantial progress between the years 2003-2007. Since 2007, OPE has greatly strengthened these internal controls. Between the years 2003-2006, TRIO management provided verbal guidance to staff regarding how to conduct substantial progress reviews. In 2007, OPE documented this guidance in writing. Each year since 2007, TRIO management has taken steps to improve the substantial progress determination process by updating written guidance, increasing documentation requirements and using spreadsheets and electronic data extractions from the annual performance reports.

Third, during the exit conference OPE suggested that OIG replace specific terms used in the draft inspection report for which meanings are not clear or precise in the context of the issues discussed. OPE recommended that the OIG not use the terms “transparent” or “transparency” and “successful” or “unsuccessful” grant because those terms are not defined in the U.S. Department of Education’s (the Department’s) grant management literature. For example, when using the term “successful grant,” it appears that the OIG intends the term to be synonymous with the term “substantial progress.” Because substantial progress is defined in the Department’s grants management literature, its meaning is unambiguous.

The OIG representatives attending the exit conference expressed a willingness to incorporate these points and act on these suggestions and we hope these changes will be made in both the Executive Summary and other appropriate sections of the final report.

Issue No. 1 TRIO Management Did Not Have a Well-Defined, Transparent Process for Reviewing Grantee Performance

Response

We generally concur with Issue No. 1. During fiscal years 2003 – 2006, the substantial progress determination process TRIO management used to review grantee performance prior to making continuation awards was not documented in writing and in some situations neither well-defined nor consistently applied. During this timeframe, staff followed a process via verbal instructions that were discussed and reinforced during team meetings. These instructions specified the standards to apply to determine substantial progress.

The first heading on page 6 of the draft report states: “TRIO management did not provide guidance to program specialists on the criteria that constitute a successful or unsuccessful grant in 2007.”

As noted above, we recommend that the OIG not use the terms “successful or unsuccessful grants.” The term “substantial progress” is more accurate. In 2007, TRIO management provided guidance and instructions to staff for certifying substantial progress for TS and EOC and documenting communications with grantees when requesting additional information on the number of participants served during the current grant year and unexpended funds. The “Meeting Notes” document provided to OIG during data collection (dated August 13, 2007) summarizes the meeting conducted to prepare staff for the task of certifying substantial progress for the TS and EOC programs. These notes provided specific guidance on the process and steps associated with each task, included the initial benchmarks (targets) and referenced staff instructions regarding the filing of documents and reviews. Since 2007, TRIO management improved its guidance and procedures regarding the determination of substantial progress and will make additional improvements to address the concerns in the draft report.

Although this inspection does not cover fiscal years 2008 and 2009, TRIO management has continued to improve its processes. For example:

- In 2008, TRIO automated its process of certifying substantial progress. Excel spreadsheets with data extracted from individual grantee annual performance reports (APRs) calculate the extent to which grantees achieved their outcome objectives, including the number of participants served and the percentage who met the eligibility criterion. The Excel worksheets include the calculations needed to determine the level of accomplishment of each objective and the benchmarks (targets) set by TRIO management. The basic calculations are summarized on individual grantee reports. This process completely eliminates manual mathematical calculations. This automated process includes a detailed set of instructions for staff that covers a discussion of the formulae used by the system, the benchmarks or targets, and other guidance to complement specific spreadsheets. TRIO management held a staff meeting to explain the process to program specialists and address any questions and concerns.
- In 2009, TRIO made additional improvements. Specifically, TRIO implemented a more formal written process which includes an extensive 7-page “Form” accompanied by detailed instructions specifying the steps program specialists must follow to determine if a grantee is making substantial progress. Program specialists must now obtain and attach documentation (i.e., copies of written communications with grantees, site visit reports, or audit reports) to the Form prior to forwarding it to the Team Leader. The Form includes a section restricted for use by the Team Leader and the TRIO Director to address situations in which the program specialist has noted concerns and/or cannot certify substantial progress. In this section of the Form, TRIO management can select from a list of action options (e.g., reduction of award) and monitoring options (i.e., specific periodic reports from grantee, site visit, routed payment, etc.) that the program specialist must conduct.

Since 2007, TRIO management significantly improved the internal control environment as a result of the changes noted above. Team Leaders can now identify which substantial progress assessments will need further review. TRIO management can also readily identify all of the assessments that identify projects with achievement rates falling below a particular threshold or target and needing further review or action.

RECOMMENDATIONS

We recommend that the Assistant Secretary for Postsecondary Education:

- 1.1. Define the criteria for substantial progress and develop guidance for program specialists to ensure appropriate funding decisions.

Response

We generally concur with recommendation 1.1. However, it is more appropriate to use the term “substantial progress determinations” rather than “funding decisions” because the new wording more accurately reflects the staff role in determining substantial progress. As noted above, during the years 2003-2006, TRIO management provided specific verbal guidance to staff. Starting in 2007, TRIO management made several improvements to its process and procedures for determining substantial progress including written guidance. We acknowledge and agree with the need for more clearly defined written guidance and criteria for making substantial progress determinations. To this end, we developed additional guidance addressing substantial progress determinations in 2008 and 2009.

- 1.2. Provide program specialists with a well-defined process for determining grantees’ substantial progress.

Response

We concur with recommendation 1.2. In our corrective action plan, TRIO management will provide a well-defined process for reviewing grantee performance. However, a well-defined process for determining substantial progress must allow TRIO management and staff to use professional judgment when it may be in the best interest of the program to continue a project that has not yet met the established criteria for determining substantial progress. In these cases, management and staff will fully document the reasons for their decisions in the official grant file. Below, we demonstrate with hypothetical examples the importance of professional judgment in determining substantial progress.

Two new grantees, “ABC” and “XYZ” were funded for the first time in the most recent competition to serve 600 participants each year under the TS program. “ABC” and “XYZ” were fully staffed and began recruiting and serving eligible participants within nine months of the start of their grants. “ABC” reported serving 80% (or 480) of its funded number of participants and “XYZ” reported serving 88% of its funded number of participants. “XYZ” appeared on the

"excessive balance" report. The assigned program specialists contacted their respective grantee for follow-up information and provided the following recommendations to the Team Leader:

Example #1:

Project "ABC": The approved project director has resigned his position and the project is operating under the guidance of an approved interim director. The number of participants currently being served has increased to 83% (or 498) of the approved funded number since receiving the grantee's interim performance report. The grantee reported that 65 intake applications have been received and are under review. The grantee also reported that one of its target schools did not want to continue the project and that it had identified two additional target schools. The program specialist recommended that this grantee receive a continuation award because, despite the resignation of the project director and the changes in target schools, this grantee is working toward meeting its approved goals and objectives. Furthermore, based on information received from the interim director, the grantee's recruitment activities are ongoing and the project is expected to reach its goal of 600 participants within the next 60 days. The grantee does not expect to have any unobligated funds remaining at the end of the current budget period. TRIO management concurred with the recommendation and the grantee received a continuation award.

Example #2:

Project "XYZ": This grantee was recommended for funding with an annual award of \$250,000 to serve 600 participants each year. This grantee reported that it currently serves 528 participants (or 88%) which is above the initial benchmark target of 85% needed to certify substantial progress. However, the grantee appears on the "excessive (cash) balance" report. As required, the program specialist contacted the grantee for written information regarding the large available balance and the grantee reported that only a very small number of its participants attend tutoring after school due to a lack of transportation services in the largely rural target area served by this grantee. This resulted in unobligated funds in Personnel and Fringe Benefits. The grantee also expressed a concern that only a small number of participants are interested in attending the field trips for cultural reasons and this results in savings in Participant Travel expenditures. The grantee anticipates that \$60,000 will be available for carryover into the next budget period. The program specialist recommends that this grantee receive a reduced continuation award. The program specialist also noted that it will work with the grantee to identify additional strategies/options for increasing participation in program activities. TRIO management concurred and the continuation award of \$250,000 was reduced by \$50,000 instead of the anticipated \$60,000 to ensure that the grantee had sufficient funds for the remainder of the project year. The grantee was allowed to carryover \$10,000 and therefore had a total of \$210,000 available for use in the next budget period. This action was consistent with TRIO's past practice and the Departmental guidance on pages 103 and 104 of the Handbook for the Discretionary Grant Process on "Setting the Continuation Award Amount" and "Carryover."

In summary, TRIO management sets initial benchmarks or targets to identify those grantees not making progress towards meeting their goals and objectives. However, TRIO past practice had been not to impose a financial penalty if the targets were not met. In addition, TRIO staff use professional judgment backed by documentation to make reasonable grants management decisions.

- 1.3. Ensure that the review process for evaluating grantee performance is transparent by requiring sufficiently documented action.

Response

We concur in part with recommendation 1.3. However, for reasons cited earlier, we suggest the following re-wording:

“Ensure that the review process for evaluating grantee performance is sufficiently documented.” As noted, we suggest replacing the term “transparent” with a more clearly-defined term.

Issue No. 2 TRIO Management Did Not Appropriately Oversee Program Specialists’ Work

TRIO management did not adequately review program specialists’ determinations of grantees’ substantial progress.

Response

We concur with the statement above. In the corrective action plan, TRIO management will identify a new approach to review substantial progress determinations. Our approach will balance the need to increase oversight with time constraints and available resources. During the exit conference, the OIG understood that, due to the number of grants assigned to the College and University Preparation Team, it may not be feasible for the Team Leader to conduct second reviews of all staff substantial progress determinations. The OIG acknowledged that sampling staff substantial progress determinations for review may be necessary.

As stated earlier, in 2008 OPE implemented an automated process to certify substantial progress. Excel spreadsheets with data extracted from individual grantee APRs calculate the extent to which grantees achieved their outcome objectives, including the number of participants served and the number who met the eligibility criterion. This automation replaces all manual calculations and associated human error, greatly enhancing the Team Leader’s ability to systematically review staff work and identify those grantees requiring additional monitoring and assistance.

TRIO management did not ensure that program specialists adequately documented their grantee monitoring activities.

Response

We concur with the statement above. Although TRIO management provided guidance for staff, not all staff adequately documented those monitoring activities cited in the report: substantial progress determinations, changes to grantee funded to serve numbers and funding actions. In addition to ensuring that staff document these actions, TRIO management will also ensure that staff carry out the monitoring activities stated in the Handbook that apply to the administration of these TRIO programs. We note that TRIO program specialists have some of the highest grant workloads of program specialists in any OPE service area and very likely within the Department. Within the

CUPT team managing the TS and EOC programs, the workload of less senior program specialists ranges between 124 and 146 grants per specialist and the workload of senior staff specialists ranges between 162 and 172 grants per specialist.

TRIO management did not ensure that performance agreements held program specialists responsible for appropriate substantial progress determinations.

Response

We concur in part with the statement above. TRIO management will ensure that performance agreements hold staff accountable for following the prescribed written guidance and procedures for making substantial progress determinations and for documenting decisions based on professional judgment. TRIO management will modify staff EDPAS agreements to reflect these requirements. However, as noted earlier, OPE does not agree with the use of the term “appropriate” in this context, since the term is subjective and open to interpretation. Instead, the procedures will require the Team Leader and/or TRIO Director to approve recommendations based on professional judgment.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education:

2.1. Adequately review program specialists’ substantial progress determinations to ensure accuracy, consistency, and appropriateness of decisions.

Response

We concur with Recommendation 2.1. In 2009, TRIO management will identify an approach to review staff substantial progress determinations that balances the need to increase oversight with time constraints and available resources. We note again that the new automated system will enhance this effort.

2.2. Ensure that program specialists adequately document their grantee monitoring activities in accordance with the Department’s *Handbook for the Discretionary Grant Process*.

Response

We concur with Recommendation 2.2. Staff will document per written guidance their substantial progress determinations and monitoring activities. As stated above, in addition to ensuring that staff document substantial progress determinations, changes to number of students served and funding actions, TRIO management will also ensure that the monitoring activities stated in the Handbook that are applicable to the administration of these TRIO programs are carried out to the best of our ability.

2.3. Ensure that performance appraisals hold TRIO staff accountable for appropriately and accurately determining grantees’ substantial progress.

Response

We concur in part with Recommendation 2.3. TRIO management will modify staff performance agreements to hold staff accountable for following the prescribed written guidance and procedures for making substantial progress determinations and for documenting situations in which professional judgment is used. As stated above, however, OPE does not agree with the use of the term “appropriate” in this context, since the term is subjective and open to interpretation.

Issue No. 3 TRIO Management Did Not Implement a Process That Appropriately Held Grantees Responsible for Not Serving the Number of Participants They Were Funded to Serve

TRIO management did not reduce continuation funding when grantees reported that they failed to meet the number of participants they were funded to serve.

Response

We do not concur with the statement above. It suggests that TRIO should reduce a grantee’s continuation funding if the grantee fails to serve the number of participants the project was funded to serve. As noted above, this issue and the subsequent recommendations are inconsistent with EDGAR in 34 CFR 75.253, the Department’s Handbook, and established processes and procedures for OPE grants management. A grantee failing to serve the number of participants it was funded to serve does not equate with misuse of program funds or lack of substantial progress. Since the funded number is one of several project objectives, TRIO’s policy dictates using the funded number as only one indicator of substantial progress. Furthermore, if grantees serve 85% or more of their funded numbers and no other problems have been identified, the program specialist will certify that the grantee is making substantial progress. For those serving less than 85% of their funded numbers, the grantee may still receive a continuation award if the program specialist uses professional judgment to determine the best interests of the program (e.g., continuation funding will allow new projects additional time to fully implement their grants). These policies are consistent with the concept of substantial progress that governs decisions in awarding continuation funding for discretionary grantees. With regard to reducing funding for a continuation grant, OPE follows the guidance on pages 103 and 104 of the Handbook on “Setting the Continuation Award Amount” and “Carryover.”

TRIO management did not establish appropriate benchmarks for grantees that were funded to serve greater than the regulatory minimum.

Response

We concur in part with the statement above. The statement is accurate for fiscal years 2003-07. Since 2007, however, TRIO has established benchmarks for grantees that were funded to serve a number of participants greater than the regulatory minimum. In fact, the automated process used in the 2008 and 2009 substantial progress reviews have established benchmarks at 85 percent of the funded number for all grantees.

TRIO management used different sets of data to evaluate grantees.

We concur with the statement above. TRIO's policy is to use interim performance report data to make substantial progress determinations for grantees that are in the first year of operation because they have not submitted the APR by the time the continuation grant is awarded. However, the APR data are used for determining prior experience points for those same first-year projects.

TRIO management took inconsistent action and based funding decisions primarily on grantees' remaining funds at the end of a program year.

Response

We concur with the statement above. TRIO management's use of an automated process will allow for the identification of potential inconsistencies during the substantial progress review. TRIO management will address this problem by strengthening written guidance for specialists and by modifying performance agreements. Even with the efforts to strengthen internal controls and increase efficiencies through the use of automation, extremely high grant workloads impact the extent to which the improved processes can result in increased efficiency and effectiveness.

TRIO management did not take sufficient actions to address grantees that failed to meet the number of participants they were funded to serve.

Response

We concur with the statement above. In some situations, TRIO staff did not take sufficient actions with regard to grantees failing to meet the number of participants they were funded to serve. However, TRIO's policy allows for several actions that might be taken when a grantee fails to serve the funded number of participants. In some instances, a grantee may receive a reduction in funding. In other instances, a grantee may receive various forms of monitoring to reinforce the importance of meeting their funded numbers and to periodically assess the project's progress.

Recommendations

We recommend that the Assistant Secretary for Postsecondary Education

3.1. Hold all grantees accountable for not serving the number of participants they were funded to serve.

Response

We do not concur with Recommendation 3.1. As we stated above, it appears that the OIG interprets appropriate action to mean that a grantee failing to meet its funded numbers must be assessed a financial penalty. We do not reduce a continuation award each time a grantee fails to meet the number of participants they were funded to serve because that practice conflicts with the principle of substantial progress as stated in the Handbook and EDGAR (34 CFR 75.253). There are other ways that a grantee can be held accountable. For example, a grantee that fails to serve the number of

participants it was funded to serve will lose prior experience points in the next grant competition, which would likely impact its continued funding.

3.2. Use the same data to evaluate grantees' substantial progress and prior experience to ensure that grantees are evaluated consistently.

Response

We do not concur with Recommendation 3.2. As previously noted, comprehensive program data are not always coincidentally available. TRIO's policy is to use interim performance report data to make substantial progress determinations for grantees in their first year of operation. These grantees have not submitted the APR by the time the continuation grant is awarded. However, TRIO does use the APR data to determine prior experience points for those same first-year projects.

TRIO's Control Environment

Recommendation

4.1 Use GAO's Internal Control Management and Evaluation Tool to perform a complete evaluation of the TRIO Program's internal control weaknesses and implement a corrective action for any weaknesses identified.

Response

We do not concur with Recommendation 4.1. TRIO acknowledges the need to strengthen its control environment regarding the administration of the substantial progress determinations for the TS and EOC programs and has already implemented tighter controls. GAO's Internal Control Management and Evaluation Tool does not appear to us an appropriate tool to address the problems identified in OIG's inspection. The GAO evaluation tool seems to require an agency-level evaluation, which is beyond the scope of this inspection. However, we will examine GAO's evaluation tool to see if it has utility for TRIO's needed process improvements to address those weaknesses already identified by the OIG.

Thank you for the opportunity to respond to the draft audit report. If you have any questions, please contact Linda Byrd-Johnson, Director, TRIO Programs at 202-502-7729 or Linda.Byrd-Johnson@ed.gov.

cc: W. Christian Vierling, OIG
Alan Schiff, Acting Deputy Assistant Secretary, HEP
Linda Byrd-Johnson, Director, OPE/HEP/TRIO