



U.S. Department of Education
Office of Inspector General

Federal Student Aid's FY 2020– 2024 Strategic Planning Process

August 16, 2021
ED-OIG/A20GA0002



NOTICE

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

August 16, 2021

TO: Dr. Miguel Cardona
Secretary of Education

Richard Cordray
Chief Operating Officer
Federal Student Aid
U.S. Department of Education

FROM: Bryon S. Gordon /s/
Assistant Inspector General for Audit

SUBJECT: Final Audit Report, "Federal Student Aid's FY 2020–2024 Strategic Planning Process,"
Control Number ED-OIG/A20GA0002

Attached is the subject final report presenting the results of our audit of Federal Student Aid's fiscal year 2020–2024 strategic planning activities. We received Federal Student Aid's comments on the draft of this report and considered them as we prepared the final report.

U.S. Department of Education policy requires that you develop a final corrective action plan 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 audit report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

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 audits that remain unresolved after 6 months from the date of issuance.

We appreciate the Department's and Federal Student Aid's cooperation during this audit. If you have any questions, please contact me at (202) 245-6051 or Bryon.Gordon@ed.gov or Gary D. Whitman, Regional Inspector General for Audit, at (312) 730-1658 or Gary.Whitman@ed.gov.

Attachment

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Results in Brief

What We Did

The objective of our audit was to determine the extent to which the U.S. Department of Education (Department) had processes for ensuring that Federal Student Aid's (FSA) fiscal year (FY) 2020–2024 strategic goals, objectives, and related performance indicators were effective. Our audit covered FSA's strategic planning and related activities from March 2019 through issuance of FSA's final "Federal Student Aid, Fiscal Year 2020 Through 2024 Strategic Plan" (FY 2020–2024 Strategic Plan) in December 2020. It also included FSA's activities for obtaining feedback from internal and external stakeholders.

To achieve our objective, we interviewed FSA and Department employees and officials who were responsible for establishing or reviewing FSA's strategic goals, objectives, and performance indicators. We also reviewed draft and final versions of the FY 2020–2024 Strategic Plan, FSA's 2019 and 2020 annual reports, strategic plan status update presentations, and evidence showing the Department's review and approval of the FY 2020–2024 Strategic Plan. Additionally, we compared the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan with the former Secretary of Education's (Secretary) goals and guidance and the strategic goals, objectives, and performance indicators included in the "U.S. Department of Education Strategic Plan for Fiscal Years 2018–2022" (Department's FY 2018–2022 Strategic Plan) to determine whether they were aligned.¹ Finally, we compared FSA's strategic goals, objectives, and performance indicators with best practices described in the December 2019 version of Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget," Part 6, sections 200.5, 200.22, 230.7, 230.8, and 240.9. The purpose of this comparison was to assess whether FSA's FY 2020–2024 Strategic Plan goals and objectives were specific, measurable, achievable, relevant, and timebound and the related performance indicators measured the results of actions that would help FSA advance or achieve the established strategic goals and objectives.

¹ The Department's FY 2018–2022 Strategic Plan does not include information about Department-level performance indicators. However, the Department included performance indicators in its April 28, 2020, "FY 2018–2022 Strategic Plan—Quarterly Performance Review (QPR) Quarter 2 (Q2) FY 2020." In this report, FY 2018–2022 Strategic Plan refers to the Department's FY 2018–2022 Strategic Plan and the related quarter 2 quality performance review.

What We Found

FSA did not have documented processes to guide its FY 2020–2024 strategic planning and to ensure that the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan were effective. Only after a new Chief Operating Officer (COO) for FSA had been officially installed in March 2019 did FSA start its FY 2020–2024 strategic planning activities.² The former COO for FSA directed the Chief Executive for Strategic Planning and Reporting (SPAR) for FSA to facilitate the FY 2020–2024 strategic planning. The Chief Executive for SPAR used a strategic planning model that incorporated a tiered approach for engagement. The tiered approach started with FSA senior leaders and later extended to employees at various levels of FSA. Once it had a draft of the FY 2020–2024 Strategic Plan, FSA submitted the draft plan through the Department’s clearance process. The clearance process provided internal Department stakeholders, including the Office of the Secretary and Deputy Secretary and Office of the Under Secretary, an opportunity to provide feedback. After receiving approval from internal stakeholders, FSA provided external stakeholders with the opportunity to provide feedback. The Chief Executive for SPAR retained records of the FY 2020–2024 Strategic Plan activities completed from March 2019 through December 2020.³

By not starting the strategic planning activities until March 2019, only 6 months before the start of FY 2020 performance period (October 1, 2019, through September 30, 2020), FSA did not have sufficient time to draft, submit through the Department’s clearance process, revise, post for the mandatory 30-day external public comment period, and finalize its FY 2020–2024 Strategic Plan before the start of the performance period.⁴ Based in part on the late start of this process, FSA did not issue the final FY 2020–2024 Strategic Plan until December 21, 2020, more than 14 months after the start of the performance period. As a result, contrary to the Higher Education Act of 1965, as amended (HEA), section 141(c)(1)(A), FSA did not publish its FY 2020–2024

² This COO for FSA held the position from March 2019 through March 2021. For the purposes of this report, we are referring to this COO for FSA as the former COO, unless otherwise noted.

³ Throughout this report, we are describing the activities that FSA took to develop its FY 2020–2024 Strategic Plan. These activities were not based on any documented processes that were in place before FSA started its FY 2020–2024 strategic planning.

⁴ The Department’s clearance process provided reviewers with 15 days to review and comment on the initial draft of FSA’s FY 2020–2024 Strategic Plan.

Strategic Plan by the start of the performance period or before the end of the first year of the performance period.

Despite FSA not having documented processes to guide its strategic planning, the strategic goals, objectives, and majority of performance indicators included in the final FY 2020–2024 Strategic Plan are effective. All 5 strategic goals and all 15 objectives are specific, measurable, achievable, relevant, and timebound. They also align with the former Secretary's goals and guidance and the Department's FY 2018–2022 Strategic Plan. Of the 44 performance indicators included in FSA's final FY 2020–2024 Strategic Plan, 37 (84 percent) are intended to measure the results of actions that FSA took or will take to achieve the strategic goals and objectives. These 37 performance indicators also align with the former Secretary's goals and guidance and the Department's FY 2018–2022 Strategic Plan. However, the methodologies to measure progress for the other seven (16 percent) performance indicators had not been fully developed or had not been approved when FSA published the final FY 2020–2024 Strategic Plan in December 2020. Therefore, we could not determine whether the seven performance indicators will be measurable.

While we recognize that the Department and FSA included effective strategic goals, objectives, and performance indicators in FSA's FY 2020–2024 Strategic Plan, we stress that it is equally important for the Department and FSA to ensure that each strategic plan is created, reviewed, approved, and made publicly available by the start of the performance period. As a PBO, FSA is allowed to operate without the constraints of certain rules and regulations to facilitate the achievement of specific measurable strategic goals and objectives. Without documented processes for ensuring that a strategic plan will be in place at the start of the performance period, FSA officials and other employees might not fully understand what is expected of them or how they will be evaluated during the first year of the 5-year performance period. Additionally, stakeholders, including the President and Secretary, could not effectively evaluate FSA's performance and did not have information necessary to hold FSA leaders accountable for improving the administration and modernizing the delivery of student financial assistance under Title IV of the HEA. To provide reasonable assurance that FSA employees understand what is expected of them and stakeholders know what performance goals FSA should achieve, FSA should ensure that future strategic plans are in place before the start of the relevant performance period (see [Finding 1](#)).

We also found that former secretaries and former COOs for FSA have not executed performance agreements for the COOs since FY 2015. According to section 141(d)(3) of the HEA, the Chief Operating Officer may be removed by the President or the Secretary for failure to meet performance goals set forth in the performance agreement described in paragraph (4). Section 141(d)(4) of the HEA requires the Secretary and the COO for

FSA to enter into an annual performance agreement that sets forth measurable organization and individual goals. The law also requires the agreement to be made publicly available.

Accountability for results is measured in part by performance agreements and performance evaluations, including the performance agreements and evaluations of the COO for FSA. Without timely executing performance agreements that are publicly available, the ability of stakeholders, including the President and the Secretary, to hold the COO for FSA accountable for FSA's performance as a PBO diminishes (see [Finding 2](#)).

What We Recommend

We recommend that the COO for FSA design and document processes to guide FSA through future strategic planning. The documented processes should take into account time-specific milestones for completing key activities, such as the Department's internal stakeholder feedback processes and the statutory external stakeholder comment period, and be designed to ensure that FSA complies with the HEA. We also recommend that the Secretary and the COO for FSA ensure that they timely execute and make publicly available the COO's annual performance agreement.

FSA Comments and Our Response

We provided a draft of this report to the Department and FSA for comment. Only FSA provided comments on the draft report. We summarize FSA's comments at the end of each finding and provide the full text of the comments at the end of this report.

FSA disagreed with Finding 1, stating that it had processes and related policies and procedures to ensure that its FY 2020–2024 strategic goals, objectives, and performance indicators were effective. FSA also listed several strategic planning activities that it performed, and it described how its FY 2020 Annual Report related to the FY 2020–2024 strategic planning process. FSA agreed with Recommendation 1.1, stating that it would establish a standard operating procedure document to help strengthen its management of the strategic planning process.

FSA agreed with Finding 2 and Recommendation 2.1, stating that it will build into its performance management activities steps to monitor and track the COO's performance agreement and ensure proper public posting of that agreement as required by legislation.

Regarding Finding 1, our report acknowledges that the strategic goals, objectives, and majority of performance indicators that FSA included in its strategic plan are effective and describes the activities that FSA took to develop its FY 2020–2024 Strategic Plan. However, as FSA commented, the activities that it took to develop the FY 2020–2024

Strategic Plan were not documented processes. We clarified the finding to better explain what we meant in the draft report saying that FSA did not have policies and procedures to guide its FY 2020–2024 strategic planning.

FSA's proposed actions, if implemented, are responsive to both of our recommendations.

Introduction

Background

Congress established a performance-based organization (PBO) within the U.S. Department of Education (Department) through the Higher Education Amendments of 1998 (P.L. 105-244). These amendments added section 141 to the Higher Education Act of 1965, as amended (HEA), and stated that the PBO should be responsible for the delivery of Federal student financial assistance.

According to the December 30, 2019, Congressional Research Service report, “The Office of Federal Student Aid as a Performance-Based Organization,” Federal Student Aid (FSA) was established as a PBO in response to a belief in Congress and the U.S. Department of Education (Department) that student aid programs were mismanaged and that the Department needed restructuring to improve Federal student aid delivery. The report further states that, in general, PBOs are intended to be business-like, results-driven organizations that have clear objectives and measurable goals designed to improve an agency’s performance and transparency; leaders of a PBO are to be held accountable for meeting organization goals, with continued tenure and a portion of compensation linked to these measures of success. In exchange, PBOs and their leaders are granted greater discretion to deviate from certain government-wide management processes and to operate more like private-sector companies.

Section 141(a)(1)(C) of the HEA granted the PBO administrative and operational authority over the programs authorized by Title IV of the HEA (Title IV). Responsibility for developing and disseminating policy and regulations relevant to the Title IV student financial assistance programs, however, remains with the Secretary of Education (Secretary).

Section 141(a)(2) of the HEA states that the PBO’s purposes in part are to improve service to students and other Title IV program participants, reduce the costs of administering the Title IV programs, and increase the accountability of the officials administering the Title IV programs. In fulfilling these responsibilities, FSA manages and oversees grants, Federal Work Study, and loans to students attending approximately 6,000 participating institutions of higher education. As of fiscal year (FY) 2020, the student loan portfolio overseen by FSA totaled more than \$1.5 trillion across more than 45 million borrowers.⁵

⁵ “Federal Student Aid, Annual Report FY 2020.”

FSA documents its strategic goals, objectives, and performance indicators in a 5-year strategic plan that it makes publicly available through its website. In “Federal Student Aid, Fiscal Year 2020 Through 2024 Strategic Plan” (FY 2020–2024 Strategic Plan), FSA established the following five strategic goals:

1. Empower a high-performing organization;
2. Provide a world-class customer experience to the students, parents, and borrowers it serves;
3. Increase partner engagement and oversight effectiveness;
4. Strengthen data protection and cybersecurity safeguards; and
5. Enhance the management and transparency of the student loan portfolio.

The plan also describes 15 strategic objectives and 44 performance indicators (see [Appendix B](#)).

Governance and Accountability

FSA operates under the direction of the Secretary. Section 141(b)(1) of the HEA instructs the Secretary to work with the Chief Operating Officer (COO) for the PBO in developing policy and regulations and to assist the COO for the PBO in identifying goals for administering the delivery of student financial assistance under Title IV. In addition, section 141(d)(4)(A) of the HEA requires the Secretary and the COO for the PBO to enter into an annual performance agreement that sets forth measurable organization and individual goals.

Sections 141(c)(1) and (2) of the HEA established two annual reporting requirements for the PBO to inform Congress and the public of its progress in achieving its intended purposes and goals. Specifically, the Secretary and the COO for the PBO must (1) agree on and publicly release each year a 5-year performance plan that includes measurable goals and objectives and the action steps necessary to achieve a modernized student financial assistance delivery system and (2) provide an annual report to Congress that describes the results achieved relative to those goals and objectives.

The FSA Council reviews and approves FSA’s strategic plan before it is sent for review through the Department’s clearance process. Chaired by the COO for FSA, the FSA Council also includes the Principal Deputy COO; Deputy COO for Student Experience and Aid Delivery; Deputy COO for Partner Participation and Oversight; Deputy COO for Strategic Measures and Outcomes; Deputy COO for Strategy, Innovation, and Transformation; and the Program Manager for Next Gen. The FSA Council meets weekly to discuss FSA’s strategic goals and objectives and to make key strategic decisions. Other

FSA employees, known as functional advisors, attend FSA Council meetings as needed to provide perspective.

Best Practices for Establishing Effective Goals, Objectives, and Performance Indicators

Part 6 of the December 2019 version of Office of Management and Budget (OMB) Circular No. A-11, "Preparation, Submission, and Execution of the Budget," states that strategic goals and objectives should be specific, measurable, achievable, relevant, and timebound and related performance indicators should measure the results of actions that would help advance or achieve the established strategic goals and objectives.

- **Specific:** Section 230.7 states that strategic goals should be specific enough for the public to clearly understand how the goal supports the agency's mission and communicates the agency's unique responsibilities. Section 230.8 states that strategic objectives should express more specifically the results or direction the agency will work to achieve outcomes to make progress on its mission and provide services to customers.
- **Measurable:** Section 200.22 states that outcome-oriented strategic goals and supporting activities should further the agency's mission. Section 230.8 states that when developing each objective, the agency should consider how to measure progress toward achieving it. In addition, section 200.22 states that each objective is tracked through a suite of performance goals and other indicators.
- **Achievable:** Section 200.22 states that strategic goals should articulate clear statements of what the agency wants to achieve to advance its mission. Section 230.8 states that the purpose of each strategic objective is to align agency efforts toward achieving the intended outcome. In addition, section 200.5 states that agency leaders at all levels of the organization are accountable for choosing goals and indicators wisely and for setting ambitious, yet realistic, targets.
- **Relevant:** Section 230.7 states that strategic goals should reflect the broad, long-term outcomes the agency aspires to achieve by implementing its mission. Section 200.22 states that strategic goals should articulate clear statements of what the agency wants to achieve to advance its mission and address relevant national problems, needs, challenges and opportunities. In addition, section 230.8 states that strategic objectives should be articulated so they express future direction or vision.
- **Timebound:** Section 230.7 states that strategic goals should reflect the broad, long-term outcomes the agency aspires to achieve by implementing its mission.

Section 240.9 states that data need to be sufficiently accurate and timely to inform a decision, behavior, or outcome by those who have authority to take action to drive progress towards mission, service, and stewardship outcomes.

Section 200.22 of the circular defines a performance indicator as a measurable value that indicates the state or level of something. Section 240.9 states that data are most valuable when they are meaningful for analyzing progress and identifying ways to improve performance.

Finding 1. FSA Did Not Have Documented Processes to Guide Its FY 2020–2024 Strategic Planning

FSA did not have documented processes to guide its FY 2020–2024 strategic planning and to ensure that the strategic goals, objectives, and performance indicators included in the plan were effective. Only after a new COO for FSA was officially installed in March 2019 did FSA start the FY 2020–2024 strategic planning activities. As a result, contrary to section 141(c)(1)(A) of the HEA, FSA did not publish its FY 2020–2024 Strategic Plan by the start of the performance period (October 1, 2019) or even before the end of the first year of the performance period. FSA did not publish the final plan until December 21, 2020, more than 14 months after the performance period began. Despite FSA not having documented processes to guide its strategic planning, the strategic goals, objectives, and majority of performance indicators included in the final FY 2020–2024 Strategic Plan are effective.

While we recognize that the Department and FSA included effective strategic goals, objectives, and performance indicators in FSA’s FY 2020–2024 Strategic Plan, we stress that it is equally important for FSA to have documented processes for ensuring that each 5-year strategic plan for FSA is created, reviewed, approved, and made publicly available by the start of the performance period covered by the plan. Without documented processes for ensuring that a strategic plan in place by the start of each performance period, FSA officials and other employees might not have fully understood what was expected of them or how they would be evaluated during the first year of the 5-year performance period. Additionally, stakeholders, including the President and Secretary, could not effectively evaluate FSA’s performance and did not have information necessary to hold FSA leaders accountable for improving the administration and modernizing the delivery of student financial assistance under Title IV of the HEA. To provide reasonable assurance that FSA employees understand what is expected of them and stakeholders know what performance goals FSA should achieve, FSA should ensure that its future strategic plans are in place by the start of the relevant period.

FSA’s FY 2020–2024 Strategic Planning Activities

FSA did not begin its FY 2020–2024 strategic planning activities until a new COO was officially installed in March 2019. It did not complete the strategic planning activities until it published the final strategic plan on December 21, 2020.

Records of previous strategic planning activities did not exist and thus could not help to guide FSA’s FY 2020–2024 strategic planning. Because FSA had not previously created documented processes to guide strategic planning, the former COO for FSA directed the

Chief Executive for Strategic Planning and Reporting (SPAR) to facilitate the FY 2020–2024 strategic planning. The Chief Executive for SPAR used a model that incorporated a tiered approach for engagement and required strategic goals, objectives, and performance indicators to be communicated throughout the organization before the plan was finalized. The FY 2020–2024 strategic planning consisted of internal FSA activities, collaboration with other Department offices, and feedback from external stakeholders. The Chief Executive for SPAR retained documents and records relevant to the FY 2020–2024 strategic planning activities that the Department and FSA completed from March 2019 through December 2020. The documents and records of these activities could be used to develop documented processes for use during future strategic planning cycles.

FSA’s Internal Activities

Engagement started with FSA senior leaders meeting and establishing an initial set of strategic goals and objectives. Once FSA senior leaders established the preliminary strategic goals and objectives, personnel from FSA’s business units separately met with the Chief Executive for SPAR to discuss how their work would impact the preliminary strategic goals and objectives, suggest ideas for new or revised goals and objectives, and identify potential performance indicators and related targets.⁶ Personnel from the following FSA business units participated in those meetings: Strategic Communications, Technology Office, Student Experience and Aid Delivery, Partner Participation and Oversight, Strategic Measures and Outcomes, Administrative Services/Human Resources, and Next Gen.

Next, FSA senior leaders and employees with direct responsibility for achieving an objective discussed the suggested ideas for new or revised goals and objectives and the potential performance indicators and related targets identified by personnel from FSA’s business units. These discussions resulted in decisions on how to accomplish the goals and objectives. They also resulted in the identification of performance indicators and related targets that would demonstrate FSA’s progress toward accomplishing or accomplishment of the goals and objectives. FSA’s initial FY 2020–2024 Strategic Plan included 5 strategic goals, 14 strategic objectives, and 23 performance indicators. The FSA Council reviewed and approved FSA’s initial FY 2020–2024 Strategic Plan before FSA submitted it through the Department’s clearance process for review, comment, and approval by internal stakeholders.

⁶ Related targets are quantifiable or otherwise measurable characteristics, typically expressed as a number, that tell how well or at what level an agency aspires to perform.

FSA’s Collaboration with Other Department Offices and External Stakeholders

FSA submitted its initial FY 2020–2024 Strategic Plan through the Department’s clearance process to the Office of the Secretary and Deputy Secretary; Office of the Under Secretary; Office of the General Counsel; Office of Postsecondary Education; Office of the Chief Information Officer; and Office of Planning, Evaluation, and Policy Development for review and comment on December 4, 2019. The Office of the Executive Secretariat instructed these internal stakeholders to respond within 15 days. The Department’s clearance process guidance instructed internal stakeholders to ensure that FSA’s strategic plan was consistent with their office’s area of responsibility and reminded them that all submitted comments should represent their office’s official views. Officials from all six offices reviewed FSA’s initial FY 2020–2024 Strategic Plan for alignment with their office’s priorities and focus areas and alignment with the “U.S. Department of Education Strategic Plan for Fiscal Years 2018–2022” (Department’s FY 2018–2022 Strategic Plan). Table 1 lists the primary focus of each office’s review.

Table 1. Primary Focus of Each Department Office’s Review

Department Office	Primary Focus of Review
Office of the Secretary and Deputy Secretary	Alignment with the agency priority goals included in the Department’s FY 2018–2022 Strategic Plan.
Office of the Under Secretary	Ensure the plan established reasonably ambitious goals and outcome-oriented performance indicators.
Office of the General Counsel	Consistency with the law that established FSA as a performance-based organization and the laws and regulations for the programs that FSA administers.
Office of Postsecondary Education	Consistency with the Department’s policies for the student financial assistance programs that FSA administers.
Office of the Chief Information Officer	Alignment with the Office of the Chief Information Officer’s priority areas and areas where its responsibility overlaps with FSA’s (for example, cybersecurity).
Office of Planning, Evaluation, and Policy Development	Consistency with the Department’s policies, including consistency with agency budget

Department Office	Primary Focus of Review
	plans, lifecycle data management, and the agency's learning agenda.

FSA received the last set of internal stakeholders' comments on its initial FY 2020–2024 Strategic Plan on June 2, 2020. Except for the Office of the Under Secretary, the feedback provided by the internal stakeholders was minor and technical in nature. The Office of the Under Secretary provided feedback on four occasions from January 30, 2020, through June 2, 2020, that required FSA to revise performance indicators or add more outcome-based performance indicators.

FSA submitted its second draft of the FY 2020–2024 Strategic Plan through the Department's clearance process to the Office of the Secretary and Deputy Secretary, Office of the Under Secretary, Office of the General Counsel, and Office of Planning, Evaluation, and Policy Development on June 9, 2020. The second draft included 5 strategic goals, 15 strategic objectives, and 44 performance indicators—22 of the original 23 performance indicators from the initial plan and 22 new indicators resulting from feedback provided by the Office of the Under Secretary and additional review of the plan by FSA senior leaders. The Office of the Executive Secretariat instructed the internal stakeholders to provide any additional comments within 3 days. FSA received the last of the internal stakeholders' comments on June 18, 2020. According to the Chief Executive for SPAR, the feedback received during this second round of the clearance process was minor. FSA revised the second draft of the FY 2020–2024 Strategic Plan to incorporate the minor feedback. The Office of the Secretary and Deputy Secretary, Office of the Under Secretary, Office of the General Counsel, and Office of Planning, Evaluation, and Policy Development approved the revised FY 2020–2024 Strategic Plan. FSA made it available for public review on September 23, 2020, and asked external stakeholders to provide any comments by October 23, 2020. FSA made some minor changes to the September 23, 2020, version of its strategic plan based on feedback provided by external stakeholders. However, the external stakeholders' feedback did not result in FSA making any significant changes to its strategic goals, objectives, and performance indicators.

FSA submitted a proposed final version of its FY 2020–2024 Strategic Plan through the Department's clearance process to the Office of the Secretary and Deputy Secretary, Office of the Under Secretary, and Office of the General Counsel on December 1, 2020. This version of the plan included the same 5 strategic goals, 15 strategic objectives, and 44 performance indicators that FSA had in the strategic plan posted for public review on September 23, 2020. The Office of the Executive Secretariat instructed internal stakeholders to provide any final comments or approval within 2 days. FSA received final

approval of this version of the plan on December 21, 2020. Although FSA received approval on December 21, 2020, it did not post the FY 2020–2024 Strategic Plan to its website until January 13, 2021. See [Appendix C](#) for a graphic of FSA’s FY 2020–2024 strategic planning activities.

FSA Accountability

To establish accountability within FSA, the COO assigned himself and the Deputy COOs as goal leaders for each strategic goal. Table 2 lists FSA’s strategic goals and the assigned goal leaders.

Table 2. FSA’s FY 2020–2024 Strategic Goals and Assigned Goal Leaders

Strategic Goal	Goal Leader(s)
1. Empower a high-performing organization.	COO for FSA
2. Provide world class customer experience to the students, parents, and borrowers we serve.	COO for FSA Deputy COO for Student Experience and Aid Delivery
3. Increase partner engagement and oversight effectiveness.	COO for FSA Deputy COO for Partner Participation and Oversight
4. Strengthen data protection and cybersecurity safeguards.	COO for FSA Principal Deputy COO
5. Enhance the management and transparency of the portfolio.	COO for FSA Deputy COO for Strategic Measures and Outcomes

As noted in Office of Management and Budget (OMB) Circular No. A-11, “Preparation, Submission, and Execution of the Budget,” Part 6, section 200.15 (December 2019), a goal leader is held accountable for leading implementation efforts to achieve a goal. The accountability benefit of assigning goals to goal leaders diminishes if a strategic plan is not in place at the start of the performance period.

Despite FSA Not Having Documented Processes to Guide Strategic Planning, the Strategic Goals, Objectives, and Performance Indicators Included in FSA’s FY 2020–2024 Strategic Plan Are Effective

The strategic goals, objectives, and performance indicators included in FSA’s FY 2020–2024 Strategic Plan are effective. We concluded that all 5 strategic goals and all 15 strategic objectives are effective because they are specific, measurable, achievable, relevant, and timebound.⁷ They also align with the former Secretary’s goals and guidance and the Department’s FY 2018–2022 Strategic Plan. Additionally, 37 (84 percent) of the 44 performance indicators included in FSA’s final FY 2020–2024 Strategic Plan are effective. The 37 performance indicators are intended to measure the results of the actions that FSA took or will take to make progress toward achieving its strategic goals and objectives. They also align with the former Secretary’s goals and guidance and the Department’s FY 2018–2022 Strategic Plan. For the other 7 (16 percent) performance indicators, as of the end of our audit period, FSA had not fully developed or approved the methodologies it would use to measure progress before it issued the FY 2020–2024 Strategic Plan. The methodologies for four of these seven performance indicators, related to the strategic goals of providing world-class customer experience, increasing partner engagement and oversight effectiveness, and enhancing the management and transparency of the student loan portfolio, were incomplete. Also, the methodologies for three of these seven performance indicators, related to the strategic goal of enhancing the management and transparency of the student loan portfolio, were fully developed but had yet to be approved. FSA’s descriptions of all seven performance indicators align with, and are relevant to, the objectives they are intended to measure. However, because the methodologies for measuring progress had not been fully developed or approved, we could not determine whether the seven performance indicators will be measurable.

Documented Processes with Time-specific Milestones for Completing Key Strategic Planning Activities Are Needed

Sections 3.09 through 3.11 of the U.S. Government Accountability Office’s “Standards for Internal Control in the Federal Government,” (September 2014), state that management should develop and maintain documentation of its internal control system. Effective documentation assists in management’s design of internal control by establishing and communicating the who, what, when, where, and why of internal

⁷ See [Appendix B](#) for a list of the 15 strategic objectives and 44 performance indicators FSA included in its FY 2020–2024 Strategic Plan.

control execution to personnel. Documentation also provides a means to retain organizational knowledge, mitigate the risk of having that knowledge limited to a few personnel, and communicate that knowledge as needed to external parties, such as external auditors. Management documents internal control to meet operational needs. Documentation of internal control is evidence that controls are identified, capable of being communicated to those responsible for their performance, and capable of being monitored and evaluated by the entity.

Effective strategic goals, objectives, and performance indicators are important. But it is equally important that the Department and FSA ensure that any strategic plan is timely developed and made public. FSA did not start its FY 2020–2024 strategic planning activities until March 2019, about 6 months before the start of the FY 2020 performance period. Given the possibility of an extensive and lengthy internal stakeholder feedback process and mandatory external stakeholder comment period, 6 months might not provide sufficient time for FSA to draft and finalize a strategic plan before the start of the performance period. Accordingly, FSA should start the strategic planning activities sooner and communicate with internal stakeholders, such as the Office of the Secretary and Deputy Secretary and Office of the Under Secretary, earlier in the cycle to ensure that future strategic plans are issued before the start of the performance period. Documented processes could help FSA ensure that key strategic planning activities are completed timely and strategic plans are issued before the start of each performance period. Documented processes also would mitigate the risks associated with turnover of key personnel.

As a PBO, FSA is allowed to operate without the constraints of certain rules and regulations to facilitate the achievement of specific measurable goals and objectives. Therefore, it is important for FSA to ensure that it has a strategic plan with measurable strategic goals, objectives, and performance indicators and related targets in place at the start of each performance period. Because the FY 2020–2024 Strategic Plan was not in place until December 2020 (more than 14 months after the start of the performance period), FSA officials and other employees might not have fully understood what was expected of them or how they would be evaluated during the first year of the 5-year performance period. Additionally, stakeholders, including the President and Secretary, could not effectively evaluate FSA's performance and did not have information necessary to hold FSA leaders accountable for improving the administration and modernizing the delivery of the student financial assistance under Title IV of the HEA. To provide reasonable assurance that FSA employees understand what is expected of them and stakeholders know what performance goals FSA should achieve, FSA should ensure that future strategic plans are in place before the start of the relevant performance period.

Recommendation

We recommend that the COO for FSA—

- 1.1 Design and document processes to guide FSA through future strategic planning. The documented processes should consider time-specific milestones for completing key activities, such as the Department’s internal stakeholder feedback processes and the statutory external stakeholder comment period. The processes should also be designed to ensure compliance with the HEA.

FSA Comments

FSA disagreed with the finding, stating that it had processes and related policies and procedures to ensure that its FY 2020–2024 strategic goals, objectives, and performance indicators were effective. FSA listed several strategic planning activities that it performed. FSA also described how its FY 2020 Annual Report related to the FY 2020–2024 strategic planning process. Specifically, it stated that the FY 2020 Annual Report described FSA’s performance results in meeting the strategic goals and objectives. FSA also stated that the Annual Performance Report within the FY 2020 Annual Report is how it demonstrated that the strategic goals, objectives, and performance metrics were effective in achieving FSA’s mission and vision.

While it disagreed with the finding, FSA said that it would establish a standard operating procedure document to help strengthen its management of the strategic planning process.

OIG Response

The finding describes the activities that FSA took to develop its FY 2020–2024 Strategic Plan. The finding also acknowledges that the strategic goals, objectives, and majority of performance indicators that FSA included in its strategic plan are effective. However, FSA did not have documented processes to guide its strategic planning and to ensure that the strategic goals, objectives, and performance indicators would be effective. We clarified the finding by explaining that FSA did not have documented processes in place before starting its FY 2020–2024 strategic planning.

FSA’s proposed action to establish a standard operating procedure document to help strengthen its strategic planning, if implemented, is responsive to the recommendation.

Finding 2. The Secretary and COO for FSA Have Not Executed Performance Agreements for the COO Since FY 2015

According to section 141(d)(3) of the HEA, the Chief Operating Officer may be removed by the President or the Secretary for failure to meet performance goals set forth in the performance agreement described in paragraph (4). Section 141(d)(4) of the HEA requires the Secretary and the COO for the PBO to enter into and make publicly available an annual performance agreement that sets forth measurable organization and individual goals. We found that former secretaries and former COOs for FSA have not executed performance agreements for the COO since FY 2015.

We asked FSA to provide us with performance agreements between the former Secretary and the former COO for FSA that had been executed since March 2019, when a new COO was appointed. In response, FSA provided us with a FY 2019 performance evaluation of the former COO for FSA. However, that evaluation did not demonstrate that the former Secretary and the former COO for FSA had executed a performance agreement at the start of the FY 2019 performance period. FSA provided us with a FY 2020 performance agreement for the former COO for FSA. However, it was not executed until September 17, 2020, 13 days before the end of the FY 2020 performance period, and it was not signed by the former Secretary or a Department official who had officially been delegated the authority to sign the performance agreement.

FSA also provided us with FY 2016 and FY 2017 performance agreements for a former COO for FSA.⁸ However, they were not signed by the former Secretary. As of March 2021, the most recent publicly available performance agreement for a COO for FSA was the one executed for FY 2015.⁹

As we noted in the [Introduction](#), as a PBO, FSA operates without the constraints of certain rules and regulations in exchange for being a results-driven organization with measurable performance goals and objectives. Accountability for results is measured in part by performance agreements and performance evaluations, including the COO for FSA's performance agreements and evaluations. Without executed performance

⁸ The former COO noted here was the COO for FSA who held the position from September 2011 through May 2017.

⁹ According to FSA, a performance agreement was not executed for FY 2018 because a permanent COO for FSA was not in place long enough to necessitate it.

agreements that were both timely and publicly available, stakeholders, including the President and the Secretary, could not hold FSA leaders accountable for improving the administration and modernizing the delivery of student financial assistance under Title IV of the HEA.

Recommendation

We recommend that the Secretary and the COO for FSA—

- 2.1 Ensure that they timely execute and make publicly available an annual performance agreement for the COO.

FSA Comments

FSA agreed with the finding and stated that it would build into its performance management activities steps to monitor and track the COO's performance agreement and ensure proper public posting of that agreement as required by the PBO legislation.

OIG Response

FSA's proposed action, if implemented, is responsive to the recommendation.

Appendix A. Scope and Methodology

Our audit covered FSA’s strategic planning and related activities from March 2019 through issuance of the final FY 2020–2024 Strategic Plan in December 2020. It also included the activities FSA used to obtain feedback from internal and external stakeholders.

To achieve our objective, we first gained an understanding of the following laws, regulations, and other guidance relevant to FSA’s 2020–2024 strategic planning activities:

- Section 141 of the HEA, “Performance-Based Organization for the Delivery of Federal Student Financial Assistance;”
- The Government Performance and Results Modernization Act of 2010;
- Performance Improvement Council, “The Federal Performance Management Law and Framework;”
- OMB Circular A-11, “Preparation, Submission, and Execution of the Budget” (December 2019), Part 6, sections 200.5, 200.22, 230.7, 230.8, and 240.9;
- OMB Circular A-123, “Management’s Responsibility for Enterprise Risk Management and Internal Control” (July 2016);
- Government Accountability Office, “Internal Control Management and Evaluation Tool” (August 2001);
- Government Accountability Office, “Standards for Internal Control in the Federal Government” (September 2014);
- The Department’s FY 2018–2022 Strategic Plan; and
- Priorities of the Secretary: Key 2019 Rethink School Initiatives.

We then gained an understanding of FSA’s FY 2020–2024 strategic planning activities through interviews. We interviewed employees, officials, or both, from the Department, FSA, and OMB who had a significant role in establishing or reviewing the strategic goals, objectives, and performance indicators included in FSA’s FY 2020–2024 Strategic Plan. Specifically, from FSA, we interviewed the former COO; Chief Executive for SPAR; former Principal Deputy COO; Deputy COO for Partner Participation and Oversight; Deputy COO for Student Experience and Aid Delivery; former Deputy COO for Strategic Measures and Outcomes; and Deputy COO for Strategy, Innovation, and Transformation. We also interviewed those Department employees and officials who reviewed or had knowledge of their office’s review of FSA’s draft FY 2020–2024 Strategic Plan. Specifically, we

interviewed the former Deputy Secretary; former Principal Deputy Under Secretary; Performance Improvement Officer; Director of the Office of the Executive Secretariat; Chief Information Officer; former Acting Deputy Assistant Secretary for Policy, Planning, and Innovation; and Deputy Assistant General Counsel for Postsecondary and Departmental Law Service. Additionally, we interviewed the program analyst from the Resource Management Group of OMB. The OMB program analyst met quarterly with FSA to obtain updates on FSA's milestones, implementation, and metrics relevant to its budget execution. To assess the reliability of the testimonial evidence, we compared information obtained through interviews with records of the Department's and FSA's FY 2020–2024 strategic planning activities retained by the Chief Executive for SPAR. We concluded that the testimonial evidence we obtained was sufficiently reliable within the context of our audit objective.

Next, we reviewed documents and records. We reviewed FSA's FY 2020–2024 Strategic Plan (draft and final versions), FY 2019 and FY 2020 annual reports, and strategic plan status update presentations; records showing the Department's review and approval of FSA's strategic plan; and documents relevant to the Department's Executive Secretariat clearance process, including a list of frequently asked questions and answers and other guidance about the Department's clearance process. We also reviewed the former COO for FSA's performance agreements for FYs 2016, 2017, and 2020 and a performance evaluation of the former COO for FSA for FY 2019.¹⁰ The purpose of this review was to gain an understanding of how the Secretary holds the COO accountable and to verify the existence of performance agreements required under section 141(d)(4) of the HEA.

We then obtained an understanding of all five areas of internal control (control environment, risk assessment, control activities, information and communication, and monitoring) relevant to FSA's FY 2020–2024 strategic planning activities.¹¹ We concluded that the following areas and principles of internal control were significant to our audit objective.

¹⁰ We asked for but did not receive performance agreements for the COO for FSA for either FY 2018 or FY 2019. According to FSA, a performance agreement was not executed for FY 2018 because the former COO for FSA was in that role for less than 120 days, and the Department official delegated the duties of the COO for the remainder of FY 2018 was not officially the COO for FSA.

¹¹ As described in the Government Accountability Office's "Standards for Internal Control in the Federal Government" (September 2014).

- Control environment—oversight structure, oversight for the internal control system, assignment of responsibility and delegation of authority, and documentation of FSA’s and the Department’s internal control system.
- Control activities—design of appropriate types of control activities, design of control activities at various levels, documentation of responsibilities through policies, and periodic review of control activities.
- Information and communication—quality information and relevant data from reliable sources.
- Monitoring—establishment of a baseline, internal control system monitoring, and evaluation of results.

Our assessment of internal control over FSA’s strategic planning identified weaknesses with respect to the Department’s control environment and FSA’s control activities (see [Finding 1](#) and [Finding 2](#)).

Next, we compared FSA’s FY 2020–2024 Strategic Plan with the former Secretary’s goals and guidance and the Department’s FY 2018–2022 Strategic Plan to determine whether FSA’s strategic goals, objectives, and performance indicators aligned with the Department’s where appropriate.

Finally, we compared the goals, objectives, and performance indicators that FSA included in its final FY 2020–2024 Strategic Plan with best practices described in OMB Circular No. A-11, “Preparation, Submission, and Execution of the Budget” (December 2019), Part 6, sections 200.5, 200.22, 230.7, 230.8, and 240.9. The purpose of this comparison was to determine whether FSA’s FY 2020–2024 strategic goals and objectives were specific, measurable, achievable, relevant, and timebound and related performance indicators measured the results of actions that FSA took to advance or achieve its strategic goals and objectives.

Compliance with Standards

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

We remotely conducted our audit from March 2020 through February 2021. We discussed the results of our audit with FSA and Department officials on March 8, 2021, and provided them with a draft of this report on April 14, 2021.

Appendix B. FSA’s FY 2020–2024 Strategic Objectives and Related Performance Indicators

Strategic Objective Number	Strategic Objective Description	Related Performance Indicators
1.1	Improve employee engagement and workplace inclusion to develop and retain talent, improve employee satisfaction, and engage in effective succession planning.	<ul style="list-style-type: none"> • Improve Federal Employee Viewpoint Survey score: Employee Engagement Index. FSA’s scores will improve the first year and continue to increase 1-2 percent annually.
1.2	Expand employee skills and capabilities to support Next Gen FSA.	<ul style="list-style-type: none"> • Identification, validation, assessment, and prioritization of skill competencies, required grades, and strategic alignment in accordance with the workforce requirements study results. • Development of a multi-year, targeted, training and development plan.^a • Perform a training analysis at each performance review period within the fiscal period.
2.1	Ensure that all students can easily access information on federal student aid, apply for federal student aid, and have information on repayment options.	<ul style="list-style-type: none"> • Number of visits (sessions) demonstrating adoption of the updated StudentAid.gov site. • Percentage of high school seniors submitting the Free Application for Federal Student Aid. • Number of customers submitting the Free Application for Federal Student Aid via a mobile platform—the myStudentAid mobile app or fafsa.gov.

Strategic Objective Number	Strategic Objective Description	Related Performance Indicators
2.2	Provide seamless, easy, personalized digital interactions equal with top financial institutions in the delivery of financial aid products and services.	<ul style="list-style-type: none"> • Number of customers checking loan balances via the myStudentAid mobile app. • Number of borrowers who view their aid summary information on StudentAid.gov. • Number of users of “Aidan,” the StudentAid.gov virtual assistant. • Number of borrowers who complete their annual certification on time for the Annual Student Loan Acknowledgement. • Transactional email volume for outreach and communications to borrowers. • Recurring campaign email delivery volume for outreach and communications to borrowers. • American Customer Satisfaction Index Aid Lifecycle Survey score. • Customer satisfaction survey(s) for StudentAid.gov site and associated tools.
2.3	Streamline contact center and back-office operations to improve our customer’s integrated experience.	<ul style="list-style-type: none"> • Quality standard for Average Speed to Answer at all Call Centers. • Quality standard for Abandon Rate for Incoming Calls at all Call Centers.
2.4	Simplify the communication and processes associated with borrower repayment plans.	<ul style="list-style-type: none"> • Number of borrowers using Make a Payment feature to pay student loans. • Percentage of borrowers using auto-debit. • Percentage of Public Service Loan Forgiveness applicants who had used the Public Service Loan Forgiveness Help Tool and who met the requirements for Public Service Loan Forgiveness.^a

Strategic Objective Number	Strategic Objective Description	Related Performance Indicators
3.1	Provide effective oversight of FSA's partners utilizing a comprehensive suite of monitoring tools.	<ul style="list-style-type: none"> • FSA will annually conduct an institutional review for its participating partners including schools, third-party servicers, and financial institutions. • Number of Borrower Defense applications adjudicated (subject to existing Borrower Defense regulations).
3.2	Strengthen partner engagement and provide effective outreach and assistance.	<ul style="list-style-type: none"> • FSA will provide comprehensive training and/or specialized technical assistance to its participating schools that receive Title IV aid on behalf of students. • FSA will measure partner participation rates in training programs. • FSA will enhance the self-service training resource and informational platform to improve communication with participating partners, including schools, third-party servicers, and financial institutions. • Ease of doing business with FSA.
4.1	Implement business partner and vendor systems that house, manage, and provide systems supporting FSA business processes, outreach and awareness focused on oversight, enforcement, infrastructure, systems, and data.	<ul style="list-style-type: none"> • Increase partner/vendor cybersecurity effectiveness by reducing the total number of FSA system assessment findings by 20 percent per year.
4.2	Improve student privacy data and cybersecurity controls of Institutions of Higher Education through outreach and communication, to mitigate future cyber-incidents and breaches.	<ul style="list-style-type: none"> • Increase institutions of higher education cybersecurity effectiveness by reducing Gramm-Leach-Bliley Act cybersecurity non-compliance by 20 percent per year. • Reduce incident reporting time at institutions of higher education.

Strategic Objective Number	Strategic Objective Description	Related Performance Indicators
4.3	Build an effective cybersecurity culture through employee awareness, training and accountability focused on protecting systems and data.	<ul style="list-style-type: none"> • Decrease the number of employee-related cybersecurity events associated with inappropriate use, distribution, or storage of Personally Identifiable Information and financial information by 20 percent per year.
5.1	Improve the management and transparency of FSA’s student loan portfolio performance.	<ul style="list-style-type: none"> • Initiate monthly reporting to the public through the FSA data center. • Timeliness of FSA’s response to statutorily mandated reports. • Outstanding Direct Loan portfolio in current repayment status. • Percentage of borrowers who are in a positive repayment status within the first three years of student loan repayment.^b • Persistence among first-time filing aid recipients.
5.2	Provide analytics and operational support for a customer-centric, data-driven, performance-based organization.	<ul style="list-style-type: none"> • Using the Enterprise Risk Management Maturity Model, move the organization towards a “Risk Intelligent” position. The model defines organizational progress in the following way: 1 = Initial; 2 = Fragmented; 3 = Integrated; 4 = Risk Intelligent. • Implementation timeline for FUTURE Act.^a • Error rate discovered through income verification activities for borrowers on an income-driven repayment plan.^a

Strategic Objective Number	Strategic Objective Description	Related Performance Indicators
5.3	Leverage portfolio analytics to drive improved outcomes for customers and taxpayers.	<ul style="list-style-type: none"> • Identify and provide intervention actions for customers at risk of default. • Default Rate by borrower count. • Percent of borrowers greater than 90 days delinquent. • Percentage of borrowers who did not make the first three payments.^b • Percentage of customers who borrow less than the maximum loan amount.^b
5.4	Increase vendor performance through quality management activities centered on customer service and product delivery.	<ul style="list-style-type: none"> • Percentage of quality assurance reviews for the external workforce (servicers) reviewed annually.

^a Performance indicator had not been fully developed when FSA published its FY 2020–2024 Strategic Plan.

^b Performance indicator had not been approved when FSA published its FY 2020–2024 Strategic Plan.

Appendix C. Timeline of FSA's FY 2020–2024 Strategic Planning Activities



Appendix D. Acronyms and Abbreviations

COO	Chief Operating Officer
Department	U.S. Department of Education
Department’s FY 2018–2022 Strategic Plan	“U.S. Department of Education Strategic Plan for Fiscal Years 2018–2022”
FSA	Federal Student Aid
FY	fiscal year
FY 2020–2024 Strategic Plan	“Federal Student Aid, Fiscal Year 2020 Through 2024 Strategic Plan”
HEA	Higher Education Act of 1965, as amended
OMB	The Office of Management and Budget
PBO	performance-based organization
Secretary	Secretary of Education
SPAR	Strategic Planning and Reporting
Title IV	Title IV of the HEA

FSA Comments



June 11, 2021

TO: Mr. Gary Whitman,
Regional Inspector General for Audit
Chicago/Kansas City and Sacramento Audit Regions
Office of Inspector General
U.S. Department of Education

Mr. Jeffrey Nekrasz, Director Student Financial Assistance Advisory and
Assistance
Office of Inspector General
U.S. Department of Education

FROM: Richard Cordray
Chief Operating Officer
Federal Student Aid



SUBJECT: Draft Report “Federal Student Aid’s FY 2020–2024 Strategic Planning Process” Control Number ED-OIG/A04U0002

Dear Mr. Whitman:

FSA appreciates the opportunity to review and comment on the statements and recommendations made in the Office of Inspector General (“OIG”) Draft Report, Federal Student Aid’s FY 2020–2024 Strategic Planning Process (A04U0002), dated April 14, 2021 (“Draft Report”).

OIG presented two findings in the Draft Report, with two recommendations. Federal Student Aid’s (FSA’s) response to the findings and recommendations are below.

The objective of the Office of Inspector General Audit (OIG) is stated as follows on page 1 of the Draft Report:

... to determine the extent to which the U.S. Department of Education (Department) had processes for ensuring that Federal Student Aid’s (FSA) fiscal year (FY) 2020–2024 strategic goals, objectives, and related performance indicators were effective. Our audit covered FSA’s strategic planning processes and related activities from March 2019 through issuance of FSA’s final “Federal Student Aid, Fiscal Year 2020 Through 2024 Strategic Plan” (FY 2020–2024 Strategic Plan) in December

2020. It also included FSA’s processes for obtaining feedback from internal and external stakeholders.

The first statement on page 2 of the Draft Report is as follows:

FSA did not have policies and procedures to guide its FY 2020–2024 strategic planning process and had not established processes for ensuring that the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan were effective.

The finding in conjunction with this statement, listed on page 8 of the Draft Report states:

Finding 1. FSA Did Not Establish Policies and Procedures to Guide Its FY 2020–2024 Strategic Planning Process.

FSA respectfully disagrees with the statement in Finding 1 and seeks further guidance to understand better what additional policies and procedures are recommended for this process. FSA has policies and procedures that were used to guide the FY 2020–2024 strategic planning process that it had believed were satisfactory. As stated within the draft audit report, FSA has a sequence of steps, procedures, and processes for strategic planning. In particular, FSA submits that it:

- (A) Used a tiered approach to engage stakeholders in the strategic planning processes, which is a methodology and procedure to collect feedback from various groups of stakeholders within FSA and the Department of Education.
- (B) Performed a research-based environmental scan of the trends in higher education to inform the development of the strategic goals and organizational priorities.
- (C) Obtained feedback and approval of all the FY 2020 – 24 Strategic Plan Goals, Objectives, and Performance Metrics through the FSA Council, which is a formal governance policy, procedure, and structure within FSA.
- (D) Obtained feedback from external stakeholders through a formal public comment period of 30 days in alignment with the PBO legislation, which included a series of planned communication and engagement activities with key stakeholders, to include students, trade associations and institutions of Higher Education.
- (E) Performed a methodological analysis of feedback received during the public comment period, and incorporated revisions as appropriate.
- (F) Obtained final approval through both the FSA Council and Department's Executive Secretariat Clearance, which is the formal governance policy, procedure, and structure.

In addition, page 2 states that FSA “*had not established processes for ensuring that the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan were effective.*”

FSA respectfully disagrees with this statement and seeks further guidance about why the processes it followed were determined to be inadequate. FSA has established processes for ensuring that the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan were effective, as described below:

- (A) FSA has an established process to develop and publish the FSA FY 2020 Annual Report which describes FSA's performance results in meeting the strategic goals and objectives. The Annual Performance Report within the Annual Report demonstrates if the strategic

goals, objectives, and performance metrics were effective in achieving FSA's mission and vision.

- (B) In the Performance Management section of the FSA FY 2020 Annual Report, (beginning on page 21 of the FSA FY 2020 Annual Report) FSA describes the key strategic drivers that inform the strategic planning process, aligning FSA with the PBO requirements outlined in the 1998 Amendments to the Higher Education Act (HEA) while ensuring future consistency and accountability.
- (C) The FSA FY 2020 Annual Report, Annual Performance Report (beginning on page 56 of the FSA FY20 Annual Report), discusses in detail FSA's transition to a new FY 2020 – 24 Strategic Plan and the rationale for the delay in publication of said plan. In addition, it also clarifies that for FY 2020, FSA's performance is measured against the strategic goals, objectives and performance metrics established in the FY 2020–24 Strategic Plan.
- (D) In the FY 2020 Annual Performance Report within the FSA FY 2020 Annual Report, FSA provides the performance results associated with all 44 performance metrics introduced in the draft FY 2020–24 Strategic Plan. The FY 2020 Annual Performance Report is in compliance with the annual reporting requirement as noted in Section 141(c)(2): *FSA will provide an annual report to Congress that describes the results achieved relative to those goals and objectives identified within the 5-year performance plan*.
- (E) The FSA FY 2020 Annual Report was approved by the Executive Secretariat Clearance, which is the Department of Education's formal governance policy, procedure, and structure for document approval. It was also submitted to and approved by the Office of Management and Budget on November 16, 2020, prior to being provided to Congress. The FSA FY 2020 Annual Report was published and made available to the public on November 16, 2020.
- (F) FSA has established performance management processes to establish goals, communicate, measure, and report performance, as outlined in the Performance Management section within the FSA FY 2020 Annual Report. Specifically, weekly performance accountability meetings, Annual Performance Report, Department's quarterly and annual performance reviews are part of the process to ensure that the strategic goals, objectives, and performance indicators included in the FY 2020–2024 Strategic Plan were effective.

The draft report also puts forward the following recommendation:

Recommendation 1.1: Design and document policies and procedures to guide FSA through future strategic planning processes. The policies and procedures should consider time-specific milestones for completing key activities, such as the Department's internal stakeholder feedback processes and the statutory external stakeholder comment period. The policies and procedures should also be designed to ensure compliance with the HEA.

FSA agrees with the recommendation and will seek to implement it, referencing the following statement on page 9 of the draft report,

The Chief Executive for SPAR retained documents and records relevant to the FY 2020–2024 strategic planning activities that the Department and FSA completed from March 2019 through December 2020. The documents and records documenting this process could be used to develop policies and procedures for use during future strategic planning cycles.

In response to Recommendation 1.1, since FSA already has governance policies, procedures, and structure in place to conduct strategic planning, FSA will continue to improve upon its efforts in these areas in consultation with the OIG. To do so, the Chief Operating Officer within FSA will direct the Strategic Planning and Reporting Directorate to strengthen the processes, procedures, documents, and records utilized to manage the strategic planning process for the FY 2020–2024 Strategic Plan by establishing a standard operating procedure (SOP) document. FSA will also seek to address the recommendation that it consider the adoption of time-specific milestones for completing key activities, such as the Department’s internal stakeholder feedback processes and the statutory external stakeholder comment period. Finally, FSA will seek to comply with the recommendation that the policies and procedures be designed to ensure compliance with the HEA. The SOP for strategic planning will be complete within one calendar year of the acceptance of said recommendation.

Finding 2: The Secretary and COO for FSA Have Not Executed Performance Agreements for the COO Since FY 2015

ED\FSA Response: ED\FSA agrees with OIG’s finding that the Secretary and the COO for FSA have not executed performance agreements for the COO in a timely manner since FY 2015.

Recommendation 2.1: OIG recommends that the Secretary and the COO for FSA ensure that they timely execute and make publicly available an annual performance agreement for the COO.

ED\FSA Response: FSA agrees with OIG’s recommendation that the Secretary and the COO for FSA ensure that they timely execute and make publicly available an annual performance agreement for the COO. Although Department officials and the COO ultimately execute the performance agreement, FSA’s Human Capital Group will build into FSA performance management activities steps to monitor and track the COO’s performance agreement as it progresses through the Department’s Human Resources Executive Services. Specifically, FSA’s Workforce Relations Division will coordinate with the COO’s Executive Officer throughout the process until signed and fully executed and follow up with the Department’s Executive Resources office and/or responsible office as required. Once fully executed and signed, FSA Workforce Relations Division will ensure proper public posting as required by FSA’s Performance Based Organization legislation.

Thank you for the opportunity to respond to the recommendations outlined in this OIG draft report and for your continued assistance in working with us to understand and effectively implement the measures discussed here. We appreciate the time and the effort that you have spent auditing these issues, as well as this opportunity to present our comments.