GRANT MONITORING

Department of Education Could Improve Its Processes with Greater Focus on Assessing Risks, Acquiring Financial Skills, and Sharing Information

Why GAO Did This Study

The Department of Education (Education) awards about $45 billion in grants each year to school districts, states, and other entities. In addition, the American Recovery and Reinvestment Act of 2009 provided an additional $97 billion in grant funding. In a series of reports from 2002 to 2009, Education's Inspector General cited a number of grantees for failing to comply with financial and programmatic requirements of their grant agreements. GAO was asked to determine: (1) what progress Education has made in implementing a risk-based approach to grant monitoring, (2) to what extent Education's program offices have the expertise necessary to monitor grantees' compliance with grant program requirements, and (3) to what extent information is shared and used within Education to ensure the effectiveness of grant monitoring. To do this, GAO reviewed agency documentation related to Education's internal controls and interviewed senior Education officials and staff in 12 of the 34 offices that monitor grants.

What GAO Recommends

GAO recommends Education improve its oversight of risk management, increase financial expertise among its grant monitoring staff, and develop an accessible mechanism to share information. Education generally agreed with our recommendations and provided additional information on its monitoring practices. We incorporated that information when appropriate.

View GAO-10-57 or key components.
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What GAO Found

In October 2006, Education began to look at ways to improve the efficiency and effectiveness of the department's grant management processes; in particular, it sought ways to more effectively monitor its grants after they were made. In 2007, Education created the Risk Management Service (RMS) to work with all components of the department to ensure that each office has an effective risk management strategy in place.

Effective monitoring protocols and tools based on accepted control standards are key to ensuring that waste, fraud, and abuse are not overlooked and program funds are being spent appropriately. Such tools include identifying the nature and extent of grantee risks and managing those risks, having skilled staff to oversee grantees to ensure they are using sound financial practices and meeting program objectives and requirements, and using and sharing information about grantees throughout the organization. Our review of Education's current grant monitoring processes and controls found that it:

- Has made uneven progress in implementing a department-wide, risk-based approach to grant monitoring. Education has not disseminated department-wide guidance on grantee risk assessment, but it has planned some new efforts in this area. In the absence of guidance on a department-wide risk assessment strategy, individual program offices have developed their own strategies for assessing and managing risk that vary in rigor.

- Has limited financial expertise and training, hindering effective monitoring of grantees' compliance with financial requirements. Education has monitoring tools that aid in reviewing basic financial compliance, but the lack of staff expertise limits the ability to probe more deeply into grantees' use of funds.

- Lacks a systematic means of sharing information on grantees and promising practices in grant monitoring throughout the department.

These shortcomings can lead to weaknesses in program implementation that ultimately result in failure to effectively serve the students, parents, teachers, and administrators those programs were designed to help.

Gaps in Grant Monitoring at Education

Properly assessing risk

Having required skills and resources

Sharing information

Source: GAO analysis.