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Economic Opportunity, Committee on
Veterans' Affairs, House of
Representatives

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**VA STUDENT FINANCIAL
AID**

**Actions Needed to Reduce
Overlap in Approval
Activities**

Statement of George A. Scott, Director
Education, Workforce and Income Security Issues





Highlights of [GAO-07-775T](#), a testimony before the Subcommittee on Economic Opportunity, Committee on Veterans' Affairs, House of Representatives

Why GAO Did This Study

In fiscal year 2006, the Department of Veterans Affairs (VA) paid \$19 million to state approving agencies (SAA) to assess whether schools and training programs are of sufficient quality for veterans to receive VA education assistance benefits when attending them. The Departments of Education and Labor also assess education and training programs for various purposes. This testimony describes (1) changes that have occurred in state approving agencies' duties and functions since 1995, (2) the extent to which the SAA approval process overlaps with efforts by the Departments of Education and Labor, and (3) the additional value that SAA approval activities bring to VA education benefit programs.

This testimony is based on a March 2007 report ([GAO-07-384](#)).

What GAO Recommends

We recommended that VA take steps to monitor SAA spending and duplication of efforts with other agencies and that VA establish outcome-oriented performance measures to assess the effectiveness of SAA efforts. VA agreed with our recommendations and stated that it will take actions to address them.

www.gao.gov/cgi-bin/getrpt?GAO-07-775T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact George Scott at (202) 512-7215 or scottg@gao.gov.

VA STUDENT FINANCIAL AID

Actions Needed to Reduce Overlap in Approval Activities

What GAO Found

Since 1995, legislative changes effective in 2001 created additional responsibilities for SAAs, including promoting the development of apprenticeship and on-the-job training programs, providing outreach services, and approving tests for occupational licensing. From fiscal years 2003 to 2006, SAA funding increased from \$13 million to \$19 million to expand services and support the additional responsibilities. However, funding is scheduled to decrease beginning in fiscal year 2008.

Many education and training programs approved by SAAs have also been approved by Education or Labor, and VA has taken few steps to coordinate approval activities with these agencies. More than two-thirds of all programs approved by SAAs are offered by institutions that have been certified by Education. Many apprenticeship programs approved by SAAs have also been approved by Labor, although apprenticeship programs make up less than 2 percent of all programs approved by SAAs. Similar categories of approval standards, such as student achievement, exist across agencies, but the specific standards within each category vary and the full extent of the overlap is unknown. For example, VA requires schools to give appropriate credit for prior learning while Education does not have such a requirement. Despite the overlap in approved programs and standards, VA and SAAs have made limited efforts to coordinate approval activities with other federal agencies. VA does not require SAAs to collect information on the amount of resources they spend on specific approval activities; therefore, information is not available to determine the amount of resources spent on SAA duties and functions, including those that may overlap with those of other agencies.

SAAs reportedly add value to the approval process for education and training programs, but the lack of outcome-oriented performance measures makes it difficult to assess the significance of their efforts. Areas of added value include (1) a focus on student services for veterans and on the integrity of VA benefits, (2) more frequent on-site monitoring of education and training programs than provided by Education or Labor, and (3) assessments and approval of a small number of programs that are not reviewed by other agencies. States, schools, and apprenticeship officials we spoke with reported that without SAAs, the quality of education for veterans would not change. However, veterans' receipt of benefits could be delayed and the time required to complete their education and training programs could increase. Despite areas of apparent added value, it is difficult to fully assess the significance of SAA efforts. VA measures some outputs, such as the number of supervisory visits SAAs conduct, but it does not have outcome-oriented performance measures, such as the amount of benefit adjustments resulting from SAAs' reviews, to evaluate the overall effectiveness of SAAs.

Madame Chairwoman and Members of the Subcommittee:

I am pleased to be here today to present information from our March 2007 report on state approving agencies (SAA).¹ In fiscal year 2006, the Department of Veterans Affairs (VA) paid approximately \$2.1 billion in education assistance benefits to more than 470,000 beneficiaries and about \$19 million to state approving agencies to assess whether schools and training programs offer education of sufficient quality for veterans to receive VA education assistance benefits when attending them. Qualified individuals—veterans, service persons, reservists, and certain spouses and dependents—receive benefits through a number of education assistance programs for the pursuit of various types of programs, such as a degree program, vocational program, apprenticeship, or on-the-job training. In general, these programs must be approved by an SAA in order for qualified individuals to receive VA education assistance benefits. Under contracts with VA, SAAs ensure that education and training programs meet VA standards through a variety of approval activities, such as evaluating course quality, assessing school financial stability, and monitoring student progress.

The Departments of Education (Education) and Labor (Labor) also assess education and training programs for various purposes, primarily for awarding student aid and providing apprenticeship assistance. These assessments are based, in part, on evaluations against standards set by laws and regulations, such as those applicable to accrediting agencies. In 2006, under Title IV of the Higher Education Act, Education provided nearly \$77 billion in student aid in the form of both grants and loans. Education assesses and certifies postsecondary institutions for participation in Title IV programs through various oversight functions to ensure that these schools meet federal administrative and financial requirements and that they are accredited and licensed. Similarly, under the National Apprenticeship Act of 1937, Labor is authorized to formulate and promote the furtherance of labor standards to safeguard the welfare of apprentices. To ensure programs comply with federal standards, Labor directly registers and oversees apprenticeship programs in less than half of the states and has given state apprenticeship agencies or councils in the remaining states such authority over their own programs.

¹GAO, *VA Student Financial Aid: Management Actions Needed to Reduce Overlap in Approving Education and Training Programs and to Assess State Approving Agencies*, [GAO-07-384](#) (Washington, D.C.: Mar. 8, 2007).

Given each agency's role, the potential of duplicative efforts among federal agencies has been a congressional concern. In 1995, GAO reported on this matter and concluded that there was a substantial amount of overlap between the efforts of SAAs and the other federal agencies.² My testimony today is based on information from our recent report and will focus on (1) changes that have occurred in state approving agencies' duties and functions since 1995, (2) the extent to which the SAA approval process overlaps with efforts by the Departments of Education and Labor, and (3) the additional value that SAA approval activities bring to VA education benefit programs.

In summary, we found that:

- Since 1995, legislative changes effective in 2001 created additional responsibilities for SAAs, including promoting the development of apprenticeship and on-the-job training programs, providing outreach services, and approving tests for occupational licensing.³ From fiscal years 2003 to 2006, SAA funding increased from \$13 million to \$19 million to expand services and support the additional responsibilities. However, funding is scheduled to decrease beginning in fiscal year 2008.
- Many education and training programs approved by SAAs have also been approved by Education or Labor, and VA and SAAs have taken few steps to coordinate approval activities with these agencies. In addition, information is not available to determine the amount of resources spent on SAA duties and functions, including those that may overlap with other agencies and programs.
- SAAs reportedly add value to the approval process for education and training programs through (1) a focus on student services for veterans and on the integrity of VA benefits, (2) more frequent on-site monitoring of education and training programs than provided by Education or Labor, and (3) assessments and approval of a small number of programs that are not reviewed by other agencies. However, VA's lack of outcome-oriented performance measures

²GAO, *VA Student Financial Aid: Opportunity to Reduce Overlap in Approving Education and Training Programs*, [GAO/HEHS-96-22](#) (Washington, D.C.: Oct. 30, 1995).

³Veterans Benefits and Health Care Improvement Act of 2000, Pub. L. No. 106-419 (2000); and Veterans Education and Benefits Expansion Act of 2001, Pub. L. No. 107-103 (2001).

for evaluating SAAs makes it difficult to assess the significance of these efforts.

To help ensure that federal dollars are spent efficiently and effectively, our report recommended that the Secretary of the Department of Veterans Affairs take steps to monitor SAA spending and identify whether any resources are spent on activities that duplicate the efforts of other agencies. We also recommended that the Secretary establish outcome-oriented performance measures to assess the effectiveness of SAA efforts. VA agreed with our findings and recommendations and stated that it will take a number of steps to address them.

To conduct our work, we reviewed applicable laws, regulations, and program materials; and interviewed officials from each of the entities involved in the various approval processes, including federal agencies, state approving agencies, schools and training programs. We also reviewed and analyzed data on approval decisions from VA, Education, and Labor. Our work was performed in accordance with generally accepted government auditing standards.

Background

VA, Education, and Labor assess education and training programs for various purposes. VA's approval process is meant to ensure that education and training programs meet VA standards for receipt of veteran education assistance benefits, while Education's and Labor's processes are primarily for awarding student aid and providing apprenticeship assistance.

VA administers a number of programs designed to assist individuals in gaining access to postsecondary education or training for a specific occupation (see table 1). VA generally provides its assistance in the form of payments to veterans, service persons, reservists, and certain spouses and dependents.

Table 1: VA Beneficiaries of and Funding for Education and Training Assistance Programs in Fiscal Year 2006

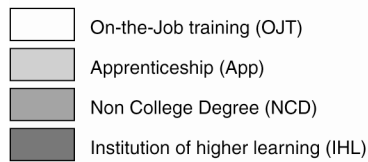
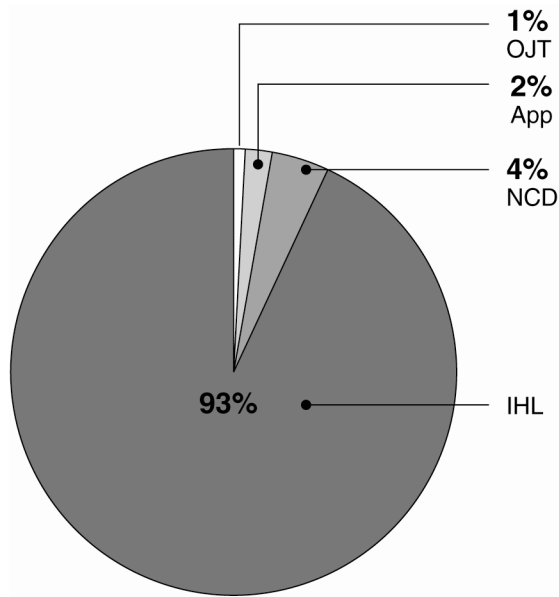
Programs *	Beneficiaries	Expenditures
Montgomery GI Bill (Chapter 30)	313,766	\$1,909,014,605
Reserve Educational Assistance Program (Chapter 1607)	23,747	\$151,397,610
Educational Assistance for the Selected Reserve (Chapter 1606)	65,145	\$48,716,031
Dependents and Survivors Educational Assistance Program (Chapter 35)	74,532	\$38,787,332
Veterans Educational Assistance Program (Chapter 32)	575	\$59,113
Total	477,765	\$2,147,974,691

Source: VA.

*No payments for the National Call to Service program were made in fiscal year 2006.

Benefits can be used to pursue a degree program, vocational program, apprenticeship, and on-the-job training (see fig. 1). Before an individual entitled to VA education assistance can obtain money for an education or training program, the program must be approved by an SAA, or by VA in those cases in which an SAA has not been contracted to perform the work.

Figure 1: Veteran Enrollment by Program Type in Fiscal Year 2006



Source: GAO analysis of VA enrollment data.

VA's administrative structure for the education and training assistance programs includes its national office, which oversees the four regional processing offices (RPO), and the national contract with SAAs. RPOs administer the education assistance programs and process benefits for veterans. SAAs review education and training programs to determine which programs should be approved and ensure schools and training providers are complying with VA standards. SAAs have six core duties: (1) approval of programs, (2) visits to facilities, (3) technical assistance to individuals at facilities, (4) outreach, (5) liaison with other service providers, and (6) contract management. Sixty SAAs exist in the 50 states, the District of Columbia, and Puerto Rico. Eight states have two SAAs. SAAs are usually part of a state's department of education (31 SAAs). In some states, SAAs are organizationally located in other departments such as labor (9 SAAs) or veterans' services (19 SAAs).

The U.S. Department of Education's approval process is to ensure that schools meet federal Education standards to participate in federal student financial aid programs. In order for students attending a school to receive Title IV financial aid, a school must be (1) licensed or otherwise legally authorized to provide postsecondary education in the state in which it is located, (2) accredited by an entity recognized for that purpose by the Secretary of Education, and (3) certified to participate in federal student aid programs by Education. As such, the state licensing agencies, accrediting agencies, and certain offices within Education are responsible for various approval activities.

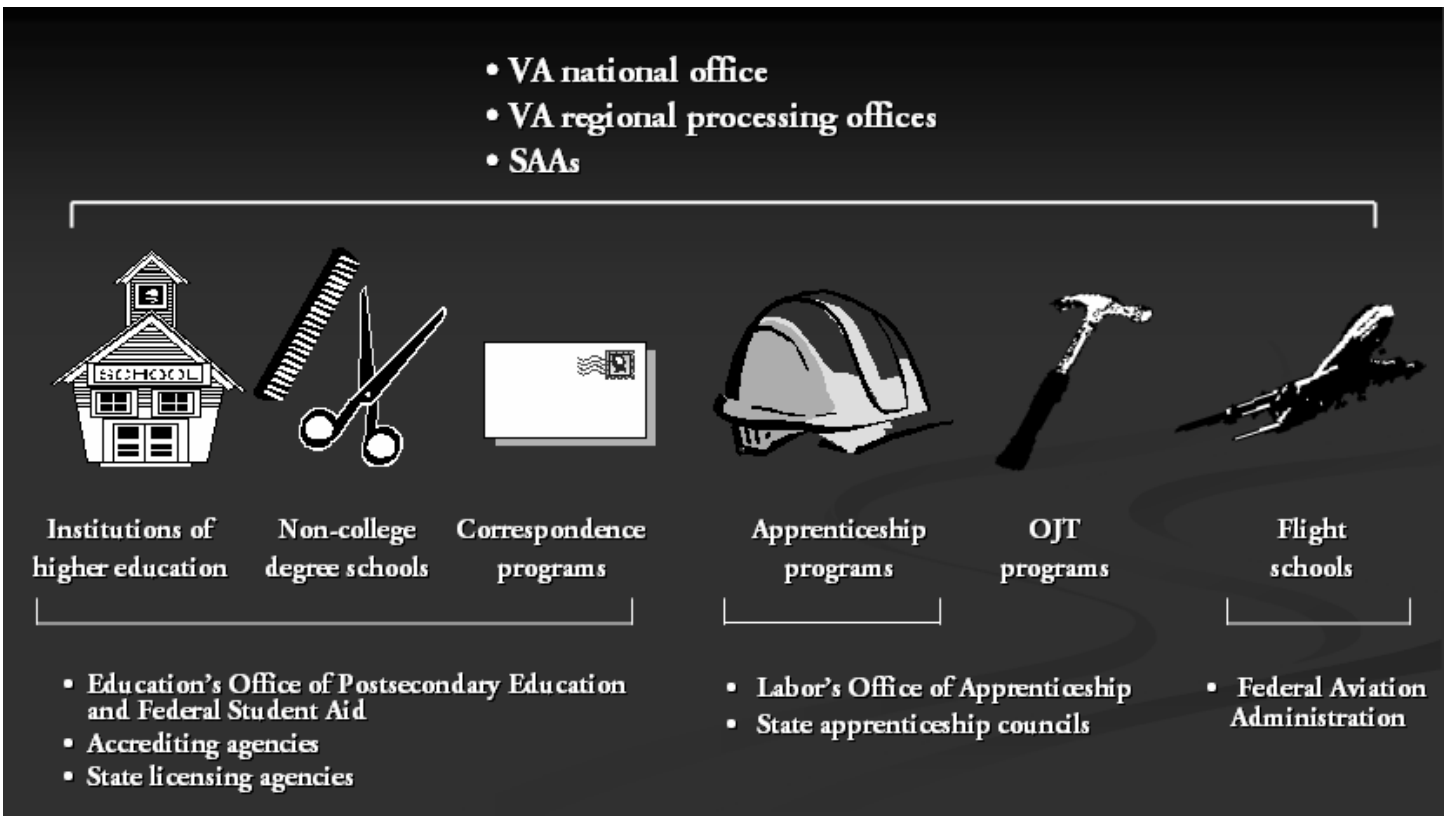
- State licensing agencies grant legal authority to postsecondary institutions to operate in the state in which they are located. Each of the states has its own agency structure, and each state can choose its own set of standards.
- Accrediting agencies develop evaluation criteria and conduct peer evaluations to assess whether or not those criteria are met by postsecondary institutions. Institutions or programs that meet an agency's criteria are then "accredited" by that agency. As of November 2005, there were 60 recognized private accrediting agencies of regional or national scope.
- The U.S. Department of Education's Office of Postsecondary Education evaluates and recognizes accrediting agencies based on federal requirements to ensure these agencies are reliable authorities as to the quality of education or training provided by the institutions of higher education and the higher education programs they accredit.
- The U.S. Department of Education's Office of Federal Student Aid determines the administrative and financial capacity of schools to participate in student financial aid programs, conducts ongoing monitoring of participant schools, and ensures participant schools are accredited and licensed by the states.

The purpose of the Department of Labor's approval process is to establish and promote labor standards to safeguard the welfare of apprentices. Labor establishes standards and registers programs that meet the standards. Labor directly registers and oversees programs in 23 states but has granted 27 states, the District of Columbia, and 3 territories authority to register and oversee their own programs, conducted by state apprenticeship councils (SACs). Labor reviews the activities of the SACs.

SACs ensure that apprenticeship programs for their respective states comply with federal labor standards, equal opportunity protections, and any additional state standards.

Figure 2 shows the agencies responsible for the approval processes for the various types of education and training programs.

Figure 2: Agencies Responsible for the Approval Process for Education and Training Programs



Source: GAO Analysis.

Legislative Changes Effective in 2001 Created Additional Responsibilities for SAAs

In 2001, SAAs received additional responsibilities as a result of legislative changes. This included responsibility for actively promoting the development of apprenticeship and on-the-job training programs and conducting more outreach activities to eligible persons and veterans to increase awareness of VA education assistance. SAAs were also charged with approving tests used for licensing and certification, such as tests to become a licensed electrician. For those tests that have been approved, veterans can use VA benefits to pay for testing fees. From fiscal years 2003 to 2006, SAA funding increased from \$13 million to \$19 million to expand services and support the additional responsibilities. Funding is scheduled to begin to decrease in fiscal year 2008.

Many Education and Training Programs Approved by SAAs Have Also Been Approved by Education or Labor, and VA Has Taken Few Steps to Coordinate Approval Activities with These Agencies

Many education and training programs approved by SAAs have also been approved by Education and Labor. Sixty-nine percent of all programs approved by SAAs are offered by institutions that have also been certified by Education. Seventy-eight percent of SAA-approved programs in institutions of higher learning (e.g., colleges and universities) have been certified by Education. Also, 64 percent of SAA-approved non-college degree programs are in institutions that have been certified by Education. Although less than 2 percent of all programs approved by SAAs are apprenticeship programs, VA and SAA officials reported that many of these programs have also been approved by Labor.

Similar categories of approval standards exist across agencies, but the specific standards within each category vary and the full extent of overlap is unknown. For example, while VA and Education's approval standards both have requirements for student achievement, the New England Association of Schools and Colleges, an accrediting agency, requires that students demonstrate competence in various areas such as writing and logical thinking, while VA does not have this requirement. Also among the student achievement standards, VA requires schools to give appropriate credit for prior learning, while Education does not have such a requirement. Table 2 shows the similar categories of standards that exist across agencies.

Table 2: Approval Standards of Education and Training Programs Used by VA, Education, and Labor

Categories of approval standards	SAA ^{1,2}				Education ³			Labor
	IHL/NCD accredited	IHL/NCD non-accredited	Apprenticeship	On the job training	Education's certification	Federal Standards for accrediting agencies	Connecticut state licensing agency	Apprenticeship
Student achievement	x	x	x	x		x	x	x
Curricula, program objectives, and faculty	x	x	x	x	x	x	x	x
Facilities, equipment, and supplies	x	x	x	x		x	x	x
Institutional objectives, capacity, and administration	x	x			x	x	x	x
Student support services						x	x	
Recruiting and admission practices	x	x			x	x	x	x
Record of student complaints						x		x
Process related requirements (e.g. application requirements)	x	x	x	x	x		x	x

Source: GAO analysis of VA, Education, and Labor Standards

Notes: GAO constructed these categories to encompass the numerous and broad range of standards used by agencies. SAAs have different sets of standards for each program type (e.g. IHL and NCD). Education's approval process involves different sets of standards used by different entities, such as accrediting agencies. Labor has one set of standards that is applicable to apprenticeship programs.

¹By statute, courses must meet certain criteria. These relate to: (1) record-keeping of student progress; (2) record-keeping of students' previous education; (3) quality, content and length of courses; (4) qualifications of administrators and instructors; and (5) equipment, space, and instructional materials. We categorized the first two criteria as student achievement, criteria (3) and (4) as Curricula, Program Objectives and Faculty, and criterion (5) as Institutional objectives, capacity, and administration. ²SAA approval requirements for non-accredited courses encompass a number of additional criteria, such as having a tuition refund policy and enrollment limitations. ³Connecticut's standards may not be representative of standards across the country

While agencies have the same approval standards in some instances, the interpretation and application of these standards may differ. For example, VA, accrediting agencies, and Labor each require that facilities have adequate space, equipment, and instructor personnel to provide quality training, but the definitions of adequacy differ in the level of specificity. Similarly, VA and accrediting agencies both require that schools have

policies related to student achievement, such as minimum satisfactory grades, but the requirements differ in level of specificity.

Despite the overlap in approved programs and standards, VA and SAAs have made limited efforts to coordinate approval activities with Education and Labor. VA reported that while it has coordinated with Education and Labor on issues related to student financial aid and apprentices' skill requirements, it believes increased coordination is needed for approval activities in order to determine the extent of duplicative efforts. Most of the SAA officials we spoke with reported that they have coordinated with SACs to register apprenticeship programs in their states. Labor reported that it coordinated with VA's national office in several instances, including providing a list of registered apprenticeship programs. Education reported that it does not have formalized coordination with VA but has had some contacts to inform VA of its concerns regarding specific institutions.

Information is not available to determine the amount of resources spent on SAA duties and functions, including those that may overlap with those of other agencies. VA does not require SAAs to collect information on the amount of resources they spend on specific approval activities. The SAA officials we spoke with said that their most time-consuming activity is conducting inspection and supervisory visits of schools and training facilities. However, the lack of data on resource allocation prevented us from determining what portions of funds spent by SAAs were for approval activities that may overlap with those of other agencies.

SAs Reported Add Value to the Approval Process for Education and Training Programs, but the Lack of Outcome-Oriented Performance Measures Makes It Difficult to Assess the Significance of Their Efforts

SAA and other officials reported that SAA activities add value because they provide enhanced services to veterans and ensure program integrity. According to these officials, SAs' added value includes a focus on student services for veterans and on VA benefits, more frequent on-site monitoring of education and training programs than Education and Labor, and assessments and approval of a small number of programs that are not reviewed by other agencies, such as programs offered by unaccredited schools, on-the-job training programs, and apprenticeship programs not approved by Labor.

SAA approval activities reportedly ensure that (1) veterans are taking courses consistent with occupational goals and program requirements, (2) schools and training programs have evaluated prior learning and work experience and grant credit as appropriate, and (3) school or program officials know how to complete paperwork and comply with policies required by VA educational assistance through technical assistance. According to officials we interviewed, SAs generally conduct more frequent on-site monitoring of education and training programs than Education or Labor, possibly preventing fraud, waste, and abuse. Some officials reported that SAs' frequent visits were beneficial because they ensure that schools properly certify veterans for benefits and that benefits are distributed accurately and quickly. States, schools, and apprenticeship officials we spoke with reported that without SAs, the quality of education for veterans would not change. However, veterans' receipt of benefits could be delayed and the time required to complete their education and training programs could increase.

Despite areas of apparent added value, it is difficult to fully assess the significance of SAA efforts. VA does measure some outputs, such as the number of supervisory visits SAs conduct, but it does not have outcome-oriented measures, such as the amount of benefit adjustments resulting from SAs' review of school certification transactions, to evaluate the overall effectiveness and progress of SAs. (See table 3.)

Table 3: Examples of VA Output Measures and Potential Outcome Measures

Examples of Existing VA output Measures	Examples of Potential Outcome Measures
Percentage of visits to facilities for supervisory and inspection purposes completed within VA specified timeframes	Amount of benefit adjustments resulting from SAAs' review of school certification transactions
Number of times technical assistance provided to interested parties such as individuals and schools	Error rate of certification transactions identified by SAAs
Number of approved facilities with approved programs	Completion rates of beneficiaries

Source: GAO analysis.

Prior Recommendations and Agency Response

We made several recommendations to the Department of Veterans Affairs to help ensure that federal dollars are spent efficiently and effectively. We recommended that the Secretary of the Department of Veterans Affairs take steps to monitor its spending and identify whether any resources are spent on activities that duplicate the efforts of other agencies. The extent of these actions should be in proportion to the total resources of the program. Specifically:

- VA should require SAAs to track and report data on resources spent on approval activities such as site visits, catalog review, and outreach in a cost-efficient manner, and
- VA should collaborate with other agencies to identify any duplicative efforts and use the agency's administrative and regulatory authority to streamline the approval process.

In addition, we recommended that the Secretary of the Department of Veterans Affairs establish outcome-oriented performance measures to assess the effectiveness of SAA efforts.

VA agreed with the findings and recommendations and stated that it will (1) establish a working group with the SAAs to create a reporting system to track and report data for approval activities with a goal of implementation in fiscal year 2008, (2) initiate contact with appropriate officials at the Departments of Education and Labor to identify any duplicative efforts, and (3) establish a working group with the SAAs to develop outcome-oriented performance measures with a goal of implementation in fiscal year 2008. While VA stated that it will initiate contact with officials at Education and Labor to identify duplicative

efforts, it also noted that amending its administrative and regulatory authority to streamline the approval process may be difficult due to specific approval requirements of the law. We acknowledge these challenges and continue to believe that collaboration with other federal agencies could help VA reduce duplicative efforts. We also noted that VA may wish to examine and propose legislative changes needed to further streamline its approval process.

Madame Chairwoman, this completes my prepared statement. I would be happy to respond to any questions that you or other members of the subcommittee may have.

GAO Contacts

For further information regarding this testimony, please contact me at (202) 512-7215. Individuals making key contributions to this testimony include Heather McCallum Hahn, Andrea Sykes, Kris Nguyen, Jacqueline Harpp, Cheri Harrington, Lara Laufer, and Susannah Compton.

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