

**GAO**

Report to the Chairman, Subcommittee  
on Oversight and Investigations,  
Committee on Education and the  
Workforce, House of Representatives

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March 2000

**EDUCATION  
DISCRETIONARY  
GRANTS**

**Awards Process Could  
Benefit From  
Additional  
Improvements**



**G A O**

Accountability \* Integrity \* Reliability

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## Abbreviations

CMSA	consolidated metropolitan statistical area
GAPS	Grant Administration and Payment System
LEA	local education agencies
LEP	limited English proficient
MSA	metropolitan statistical area
OBEMLA	Office of Bilingual Education and Minority Languages Affairs
OMB	Office of Management and Budget

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United States General Accounting Office  
Washington, D.C. 20548

Health, Education, and  
Human Services Division

B-282710

March 30, 2000

The Honorable Peter Hoekstra  
Chairman, Subcommittee on  
Oversight and Investigations  
Committee on Education and  
the Workforce  
House of Representatives

Dear Mr. Chairman:

The Department of Education (Education) annually provides billions of dollars in grants to state and local education agencies, school districts, colleges and universities, and other organizations to conduct various program and research activities. These funds are distributed noncompetitively, through formula grants based on certain applicant characteristics; and competitively, through discretionary grants based on the Secretary's judgment. In fiscal year 1999, the Congress appropriated about \$1.7 billion for use in 88 discretionary grant programs that made new awards during the fiscal year. Education uses the results of peer reviews, in which a set of experts evaluates the merit of applications, to assist in making awards decisions.

In the past, applicants expressed concern that the awards process was time-consuming and burdensome. According to a September 1993 National Performance Review report, Education estimated that the awards process required 26 weeks, with only 6 to 8 weeks of that time available for applicants to prepare applications.<sup>1</sup> Applicants expressed frustration with the limited time allowed to file applications, and grant recipients (grantees) complained that they had limited time to prepare plans to implement their projects after receiving their awards. To respond to these concerns, in December 1995, Education undertook a major effort to totally redesign its grant awards process. Among other actions, Education decentralized its grant-making activities, giving authority for this function to its six principal offices, and streamlined the process. In April 1999, because of your concern that Education's grant awards process was still too time-

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<sup>1</sup>From *Red Tape to Results: Creating a Government That Works Better and Costs Less*, report of the National Performance Review, Vice President Al Gore (Sept. 7, 1993).

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consuming and burdensome, you asked that we provide information on (1) Education's progress in implementing the redesigned awards process, (2) the management controls used to help ensure a fair peer review process and the costs of peer review, and (3) the extent to which grant awards are consistent with the results of peer review and the legislation governing individual grant programs.

To address each objective, we interviewed Education officials and reviewed agency documents. We reviewed management controls for peer review using a framework based on potentially vulnerable areas identified in our previous work.<sup>2</sup> We also reviewed Education's management controls for the peer review process against government standards that establish criteria for assessing the effectiveness of such controls. We selected nine discretionary grant programs that made awards in fiscal year 1998 in four of Education's six principal offices to obtain a general sense of how the peer review process is conducted. These programs accounted for about 15 percent of the agency's 61 discretionary grant programs that made awards in fiscal year 1998 and almost 43 percent of the approximately \$696 million in new awards in fiscal year 1998. We also compared agency awards data with peer review scores and the legislative objectives of each program. App. I provides a more detailed discussion of our scope and methodology and information about the nine programs; app. II provides an analysis of grantee characteristics for specific programs. We conducted our work between May 1999 and February 2000 in accordance with generally accepted government auditing standards.

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## Results in Brief

Education's redesigned grant awards process has helped the agency improve the timeliness of awards and provide better service to applicants and grantees. Prior to the redesign, the process included several repetitive steps and review layers, which impaired the agency's ability to award funds to grantees in a timely manner. As a result of the redesign, Education provides a greater percentage of new awards earlier in the year, which allows grantees more time to prepare for implementing their projects. For example, in fiscal year 1999, Education awarded 57 percent of its new awards by the end of May, compared to 12 percent for the same time period

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<sup>2</sup>See *Peer Review: Reforms Needed to Ensure Fairness in Federal Agency Grant Selection* (GAO/PEMD-94-1, June 24, 1994). Potential weaknesses include, among other things, the fact that reviewers lack relevant expertise and have a conflict of interest with the applications they review. The framework and its adaptation for this report are further discussed in app. I.

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prior to the redesign. Also, Education has made grant information more available and accessible to applicants and increased grantees' flexibility to make certain administrative changes to their projects without prior approval. Education is considering making additional changes to the process, which could increase efficiency and reduce costs. However, these changes could present tradeoffs. For example, one proposal that would allow programs to hold separate competitions for inexperienced applicants could be viewed by other applicants as unfair because it could reduce the amount of funding that would otherwise be available for the general competition.

Education's peer review process, which in fiscal year 1998 cost approximately \$2.4 million (or about 41 percent of the funds authorized for peer review) for the nine programs we reviewed, has many of the management controls necessary to help ensure that reviewers fairly assess the merit of applications. For example, Education seeks to select peer reviewers who have relevant experience, requires them to certify they are free of actual or perceived financial conflicts of interest, and trains them to apply evaluation criteria to score the merit of grant applications. However, weaknesses in some management controls could raise concerns about the fairness or perceived fairness of the process. For example, Education generally does not require reviewers to certify that they have no nonfinancial conflicts of interest (that is, personal and professional conflicts) and it lacks guidance to assist officials in dismissing poorly performing peer reviewers. Moreover, few of the programs assessed the effectiveness of management controls to ensure that the process was conducted fairly. For example, although several programs collected information about the peer review process, few analyzed peer reviewers' feedback on their review experiences or tracked the performance of reviewers. Also, none of the programs assessed the effect that some peer reviewers' scoring variations had on applicants' chances to receive funding. We make recommendations to Education to enhance and better assess the effectiveness of its controls.

Grant awards for the programs we reviewed were generally consistent with peer review scoring, with funds typically awarded to applicants with the highest peer review scores. Awards also were consistent with legislative objectives for each program and specific measurable objectives, where specified. For example, the objective of two programs was to improve schoolwide programs for limited English-proficient students at schools serving these students. About half the grantees in one of these programs

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and about one-third in the other had 5 to 20 times the national average number of students with limited English proficiency.

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## Background

The majority of Education's \$38.4 billion fiscal year 1999 total budget funded formula grants, which award funds noncompetitively to applicants who meet certain program requirements. For example, one such program provides grants to states to fund local adult education programs and literacy services. Education also distributed approximately \$1.7 billion in competitive financial assistance, in the form of discretionary grants to eligible grantees, which included local education agencies, colleges and universities, and other applicants.<sup>3</sup> Education's six principal offices are responsible for administering these discretionary grant programs. These offices are the Office of Bilingual Education and Minority Languages Affairs, the Office of Educational Research and Improvement, the Office of Elementary and Secondary Education, the Office of Postsecondary Education, the Office of Special Education and Rehabilitative Services, and the Office of Vocational and Adult Education. Table 1 lists the nine programs we reviewed, by principal office. Within each principal office, there are multiple program offices which administer the agency's discretionary grant programs on a daily basis. The program office is responsible for the entire grant awards process, which consists of publishing the grant awards announcement, coordinating peer reviews to assess the merit of applications, making funding recommendations, and awarding grants to successful applicants. To fund these peer review activities, Education generally can use up to 1 percent of program appropriations.

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<sup>3</sup>Discretionary grants also include cooperative agreements which Education awards when it anticipates having substantial involvement in working with a grantee to achieve project outcomes.

**Table 1: Discretionary Programs Reviewed**

<b>Principal office</b>	<b>Programs</b>
Office of Bilingual Education and Minority Languages Affairs	<ul style="list-style-type: none"> <li>• Bilingual Education Comprehensive School Grants</li> <li>• Program Development Implementation Grants</li> </ul>
Office of Educational Research and Improvement	<ul style="list-style-type: none"> <li>• 21st Century Community Learning Centers</li> <li>• Fund for the Improvement of Education: State Partnerships for Character Education</li> <li>• Technology Innovation Challenge Grant Program</li> </ul>
Office of Elementary and Secondary Education	<ul style="list-style-type: none"> <li>• Safe and Drug Free Schools and Communities: Model Demonstration Programs to Create Safe and Orderly Learning Environments in Schools</li> <li>• Magnet Schools Assistance</li> </ul>
Office of Postsecondary Education	<ul style="list-style-type: none"> <li>• Strengthening Institutions Program</li> <li>• Talent Search Program</li> </ul>

Peer review, the foundation of Education’s discretionary awards process, seeks to identify high-quality projects most worthy of funding. Each grant program has a separate peer review competition in which individuals, largely from outside the government, review and score applications, usually at a central review location. The number of individuals selected to serve as peer reviewers depends on the number of applications received for a specific grant awards competition. These peer reviewers are usually grouped together in panels of three or more members to review applications. Therefore, the number of peer reviewers selected determines the number of panels that will be used for each program competition. Each peer reviewer independently reads and scores a group of applications randomly assigned to the panel, generally using a numerical scoring system, against program criteria based on legislative and regulatory requirements. After this, the reviewers convene in their respective panels to discuss each reviewer’s scores and the strengths and weaknesses of each application. Reviewers may modify their original scores based on the panel discussion, but are not required to agree on a common score.

During the peer review process, program officials review all material for accuracy and completeness and, when the review is completed, conduct a final review of all materials. Program officials develop a single score for each application—usually by averaging the scores of all peer reviewers on

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the panel that reviewed the application or, less frequently, using a statistical technique to equalize unusual scoring variances among reviewers. Program officials may add points to the score if an applicant meets certain program priorities, such as being in an empowerment zone or enterprise community. The program office uses the final score to develop a rank-ordered listing of applications reviewed by all panels, from the highest-scoring to the lowest-scoring application. Once the rank order list is completed, each office develops a cutoff point on the list, based on the appropriations for the program. Next, each program office performs a cost analysis on those applications that scored high enough to be considered for funding to ensure that the costs of an applicant's budget are justified. After the cost analysis is completed, the program office creates a list of applications that it recommends for funding and includes recommended funding levels. This list is forwarded for approval, usually to the senior management level. Once it is decided who will receive funding, awards are made.

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## Education Has Improved the Grant Awards Process

Education has achieved many of the goals of its redesigned discretionary grant awards process, which were to increase the timeliness of awards, streamline the process, and increase access to and availability of grant information, among other improvements. In addition, Education has proposed to make further changes to the process that could offer several advantages, but could also present tradeoffs. For example, one proposal that would allow programs to hold separate competitions just for inexperienced applicants could reduce the amount of funding for the general competition.

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## Redesign and Other Efforts Improve Awards Process

Before October 1996, Education administered its discretionary grant awards process through a 487-step process that took about 6 months from the time Education publicized the awards to the time grantees received the funding. The process involved numerous duplicative administrative steps and review layers, which left Education staff little time to address applicant and grantee concerns. In December 1995, Education began to redesign the process to improve the timeliness of awards and improve Education staffs', applicants', and grantees' satisfaction with the process. Some of the major changes resulting from the redesign include eliminating unnecessary and time-consuming processes, decentralizing the grants-making function and providing a single point of contact for grants administration and programmatic information, and establishing partnerships with grantees to help ensure successful project outcomes. In order to accomplish these goals, Education reported in 1995 that it would reduce the 487-step process

to 221 steps. During our review, however, Education officials reported that, because they had moved to a more results-oriented approach, the focus on individual steps was no longer relevant. Ultimately, however, Education reported that it has to date reduced the number of steps to 192. Education officials stated that many of the steps in the redesigned process are different from those in the original process and some are actually optional. Table 2 summarizes the six specific goals of the redesign, the actions taken, and the resulting changes.

**Table 2: Goals of Education’s Redesign Process and Actions Taken**

Redesign goal	Action taken and results
Reduce unnecessary, burdensome, and time-consuming administrative steps and approval layers, which included a commitment to reduce the 487-step process to 221 steps	<ul style="list-style-type: none"> <li>• Reduced the number of steps in the awards process to the current total of 192,</li> <li>• Reduced the time needed for Office of Management and Budget (OMB) clearance and approval of application packages used by applicants when submitting grant proposals from 120 days to 60 days or 10 days, depending on the criteria used for the discretionary grant competition,<sup>a</sup> and</li> <li>• Trimmed about 30 days from the approval process for Technical Review Plans, which describe the procedures used to review applications.</li> </ul>
Reduce the time needed to make new discretionary grant awards, including a specific target of making 48 percent of new fiscal year 1999 awards by the end of May	<ul style="list-style-type: none"> <li>• Awarded 57 percent of the new fiscal year 1999 awards by the end of May, compared to 12 percent for the same time period before the redesign; earlier awards provide grantees with more time to implement their projects</li> </ul>
Establish a single point of contact (“one-stop shopping”) for both programmatic and grants management information to better serve potential applicants and grantees	<ul style="list-style-type: none"> <li>• Education decentralized the grants-making function from its Grants Division to its six principal offices.</li> <li>• Grant teams in each office serve as a single point of contact for applicants and grantees.</li> </ul>
Increase the availability of and access to grant information	<ul style="list-style-type: none"> <li>• Through a website, grantees can have immediate access to grant information, and applicants can identify funding opportunities and retrieve grant applications.</li> <li>• Education automated the payment process for discretionary grants through its Grants Administration and Payment System (GAPS) to provide grantees with timely access to information about their grants and payments and to help program offices to track grantee expenditure activity.</li> </ul>
Provide grantees with more flexibility to manage their projects	<ul style="list-style-type: none"> <li>• Through its expanded authorities for discretionary grants, Education allows grantees a one-time project extension of up to 1 year, without prior approval, among other flexibilities.</li> </ul>
Establish partnerships with grantees to facilitate successful project outcomes	<ul style="list-style-type: none"> <li>• Education now holds postaward conferences with some grantees on complex or large projects to agree on expected project outcomes.</li> </ul>

<sup>a</sup>The OMB clearance process has been reduced to 60 days for competitions in which programs use their own program-specific criteria to run the competition for discretionary grants. The process for programs that use existing Education criteria has been reduced to 10 days.

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A preliminary independent survey of applicants and grantees, after these changes were implemented, indicates that the majority of them are more satisfied with various phases of the grant process, such as the availability of information about grants and the application process.<sup>4</sup> Education staff report that the increased timeliness in making grant awards has also allowed more time to address applicant and grantee concerns.

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### Further Changes to the Process Present Tradeoffs

Education is considering proposals to amend its regulations that govern discretionary grant programs to provide greater opportunity for inexperienced applicants to compete for funding and increase the options available for reviewing and selecting grants. According to Education officials, these proposed changes offer additional options for reviewing and selecting grants and are not mandatory for use in any Education program. Before implementing these proposals, Education officials stated that they will publish a Notice of Proposed Rulemaking in the *Federal Register* and request public comment. Prompted by recent statutory requirements to provide for the optional use and acceptance of electronic documents, such as the Government Paperwork Elimination Act of 1998 (P.L. 105-227), Education is also considering initiatives to automate the application and review process. Implementing these changes could offer certain benefits, but could also have drawbacks. Education is considering the following changes:

- Giving special consideration to grant applicants who have never received a grant or who have not had an active discretionary grant from the federal government in the 5-year period prior to the application deadline. Education had previously considered allowing programs to set aside 10 percent of their funds for inexperienced applicants but determined that such a threshold would not serve the best interests of programs. It is now considering allowing programs to hold a separate competition just for inexperienced applicants or giving preference to these applicants in the general competition by adding points to their scores. This would address inexperienced applicants' perception that they are at a disadvantage in competing with experienced applicants for funding. On the other hand, allowing programs to hold separate competitions for inexperienced applicants could reduce the amount of

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<sup>4</sup> Schulman, Ronca, and Bucuvalas, Inc., *Survey of Customer Satisfaction with the Department of Education Discretionary Grant Process* (Draft) (Sept. 27, 1999).

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funding that would otherwise be available for experienced applicants to receive.

- Offering reviewers the option of rating the merits of applications using a qualitative description ranging from excellent to unacceptable, rather than a numerical score. Under this proposal, applications of comparable merit would be grouped together in quality bands, thereby allowing Education to select any of the applications in the band. Selecting projects in this manner, however, may lead to a less defensible justification for applications that were not selected because of the increased discretion in drawing distinctions between applications. While Education officials believe that using a qualitative rating that relies on detailed reviewer comments would have more than adequate justification, the greater degree of discretion could make it more difficult to explain why some applications in the same quality band were selected over others.
- Providing applicants with the opportunity to file applications on-line to Education's database via the agency's website, which could expedite the applications process by eliminating the need for Education to manually log applications and send acknowledgement letters to applicants through the mail.<sup>5</sup> However, applicants are concerned that data could be lost or changed during transmission and that the transmission of the application could be delayed, causing them to miss the application deadline.
- Providing programs with the option of conducting peer reviews on-line, which could eliminate staff time spent on peer review logistics, such as renting hotel space and the costs of physically convening reviewers in a central location to review applications. Under this initiative, Education would send applications to peer reviewers electronically, which would allow reviewers to review applications at their homes or offices. Education officials believe that electronic reviews would give Education staff greater capability to monitor reviewers performance. However, conducting reviews on-line could make the process vulnerable to system failures and delays. Additionally, on-line reviews could change the nature of panel deliberations that are key to this process. Further, for competitions with large numbers of reviewers, it could be a challenge for Education to effectively monitor the activities and discussions of reviewers, given the large volume of information exchanged.

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<sup>5</sup>As of March 2000, Education had five competitions under way that allowed applications to be electronically initiated, developed, and submitted.

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## Management Controls Help to Ensure a Fair Peer Review Process, but Could Be Improved

Education's peer review process includes many of the management controls needed to help ensure that applications are reviewed fairly. The nine programs we reviewed conducted their peer reviews similarly and program officials reported that they spent \$2.4 million to conduct their peer reviews in fiscal year 1998. To be fair, a peer review process must have several management controls, such as measures to ensure that reviewers possess relevant expertise and are unbiased in their reviews of grant applications. In addition, government standards require measures to be in place to assess the effectiveness of existing controls. However, weaknesses in controls in some areas raise concerns about the actual or perceived fairness of the process. For example, Education generally does not require that peer reviewers certify that they are free of nonfinancial conflicts of interest and does not have guidance on how to handle poorly performing peer reviewers and what to do with their scores. Also, Education rarely assesses information from the peer review process to ensure that controls are properly applied.

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## Many of the Necessary Controls Are in Place

Based on a framework for judging the adequacy of the peer review process that we adapted from our earlier work, a fair peer review process must have controls in several key areas, which include selecting reviewers with relevant expertise, assessing peer reviewers' conflicts of interest, training reviewers to appropriately apply program criteria when evaluating applications, and exercising appropriate oversight to ensure that applications are properly evaluated. We found that Education has management controls in place to help ensure fair reviews of discretionary grant applications. In addition to key controls, government auditing standards establish the need for management controls to measure, report, and monitor program performance. For peer review, we believe this means assessing existing controls to ensure that the peer review process is conducted fairly. Further, Education's own guidance instructs program officials to annually conduct a review of their process for selecting and using peer reviewers to ensure that qualified reviewers are used and that the review of all applications is conducted efficiently, competitively, and fairly. However, Education has not applied its controls as prescribed by the auditing standards or by its own internal guidance.

We found that the nine programs selected outside reviewers with expertise relevant to the grant award competition they served. In our review of selected peer reviewer resumes, we found that reviewers had backgrounds and training relevant to the competition. For example, we found that

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reviewers with backgrounds in drug and social violence prevention and youth development activities reviewed applications for a program whose purpose is to provide safe and drug-free environments for students.

To help ensure that applications are fairly reviewed, Education requires that reviewers certify that they have no actual or perceived financial conflicts of interests, in accordance with Education's Departmental Directive, dated June 23, 1992. According to the directive, a reviewer has a conflict of interest or the appearance of a conflict of interest if, for example, the reviewer, his/her spouse, minor child, partner, or organization would receive or potentially receive financial benefit from a discretionary grant award. We reviewed the conflict-of-interest statements that reviewers were required to sign for eight programs and found the reviewers' had certified that they had no financial conflicts.<sup>6</sup> Programs use a variety of methods to avoid potential financial conflicts of interest, such as asking reviewers' to identify conflicts when applications are assigned to them and not allowing reviewers to read applications from states in which they live or work. If conflicts of interest are discovered during the course of a review, a program may choose not to use the reviewer, reassign the application or applications with which a reviewer has a conflict to another panel, or request a conflict-of-interest waiver. Conflict-of-interest waivers may be granted on an individual or group basis, when it is determined that reviewers' financial interests are not so substantial that they would affect the integrity of reviewers' services. These waivers are approved by senior principal office officials, with the concurrence of Education's Office of General Counsel. Eight reviewers reported conflicts of interest in two programs. For the three reviewers in one program, officials reassigned the applications to other panels. In the other program, the five reviewers served under an approved conflict-of-interest waiver.

To further provide for fair peer reviews, Education trains staff and peer reviewers on various aspects of the peer review process. Staff receive training on the criteria that peer reviewers use to score applications, how to review peer reviewers' comments, and other topics. Peer reviewers receive training during orientation sessions in various areas, such as how to score applications against program criteria and how to document the justifications for their scores.

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<sup>6</sup>One program was unable to locate reviewer conflict-of-interest statements.

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Finally, Education has several ways to help ensure that peer reviewers correctly apply scoring criteria. For example, program staff periodically sit in on panel discussions to ensure that peer reviewers consider the appropriate criteria when evaluating applications. Also, Education staff check peer reviewers' individual scoring sheets to ensure that their scores have no math errors, adhere to program criteria, and sufficiently document the strengths and weaknesses of the application. If the rationale for peer reviewers' scores is not sufficiently documented, some program officials ask reviewers to provide additional written comments on the strengths and weaknesses of the applications. According to Education, unsuccessful applicants and grantees have both stressed the importance of receiving thoughtful, substantive reviewer comments that identify the strengths and weaknesses of the proposed projects. According to Education, unsuccessful applicants have said that weaknesses cited by reviewers help them strengthen their applications for the next competition. Education also reported that grantees have said that receiving substantive reviewer comments before the start of their grants provides them with useful information to improve the implementation of the projects.

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### Weaknesses in Controls Could Raise Concerns About Fairness

We identified weaknesses in several key controls that may raise concerns about the fairness or perceived fairness of the process. These weaknesses include limitations in Education's efforts to fully assess reviewers' potential nonfinancial conflicts of interest, absence of guidance for replacing poorly performing peer reviewers, and insufficient efforts to assess the effectiveness of existing management controls to ensure fairness in the process. We found that Education's guidance for making conflict-of-interest determinations does not clearly require that program officials assess for nonfinancial conflicts—for example, personal and professional relationships—which could also impair their objectivity, and that conflict-of-interest certifications reviewers are required to sign, in most cases, only attest to the absence of reviewers' financial conflicts. Nonfinancial conflict's can include such situations as a close friendship between the reviewer and applicant. A February 1999 Education study of one principal office's peer review process recommended that the office's conflict-of-interest determinations go beyond financial interests because of findings that some peer reviewers had prior professional relationships with applicants whose applications they were reviewing.<sup>7</sup> The study reported that such relationships could predispose reviewers to judge applicants based on those prior relationships, rather than solely on the merit of the application. To preserve the integrity of the process, it is important that

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Education require reviewers to fully disclose all potential conflicts that could affect their reviews.

Additionally, Education has no guidance to assist program officials in determining situations in which a peer reviewer and his/her scores should be dismissed due to poor performance or for documenting such situations and the reasons for any actions taken. The two programs we reviewed that encountered this situation used different approaches to address the problem. One program threw out the reviewer's scores for one application and allowed another panel to score it. The other program used a replacement reviewer to read and rescore the applications, which changed some applicants' scores as well as who received awards. In both situations, there was no documentation to support the actions taken. Without clear guidance, program officials may not be able to apply a consistent approach to deal with and document these situations, which can leave Education vulnerable to criticisms that applicants are not treated fairly.

While many programs collected information from the peer review process, they rarely analyzed or tracked the information to identify weaknesses in the process. For example, seven of the nine programs we reviewed collected peer reviewers' feedback on their review experiences, but only two analyzed the information to determine areas where improvement might be needed. Analyzing peer reviewers' feedback on their experiences could provide programs with valuable information to identify weaknesses in training and other areas that could potentially affect reviewers' ability to perform adequate reviews. For example, some reviewers for one program that did not analyze peer reviewers' feedback expressed concern that not enough time was allowed to complete their reviews. In addition, five of the nine programs documented information on peer reviewer performance, but only two programs tracked the information to flag peer reviewers whose performance was not satisfactory.

Finally, Education recognizes that some reviewers and panels may have a tendency to score applications higher or lower than others. However, it has done little to assess the extent to which this occurs and how such scoring tendencies could affect applicants' chances to receive funding and affect the actual or perceived fairness of the process. In the absence of these

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<sup>7</sup>August and Associates, a subcontractor of the American Institutes for Research, *Strengthening the Standards: Recommendations for OERI Peer Review*, Final Report (Feb. 3, 1999).

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assessments, we analyzed peer review scoring to determine if there were patterns of variation among panels. We found differences in the level of scores received by applications that had been reviewed by different panels. Applications reviewed by some panels consistently received scores that would probably be considered high, while applications reviewed by other panels consistently received much lower scores. The scores received by applications in one of the eight programs we reviewed illustrate this. The review process for that program involved 16 panels, with 15 panels each reviewing 8 applications and 1 panel reviewing 7 applications; the maximum score an application could receive was 145 points. One panel gave each of its eight applications a score of 138 or higher. By comparison, three other panels each scored only one of their applications that high and one panel did not score any of its applications that high (see table 4 in app. I). This suggests that some panels might have been more generous in their scoring than others. Because applications are randomly assigned to reviewers, it would be expected that if all reviewers had applied scoring criteria in the same way, the applications reviewed by all panels would have had similar distributions of high, medium, and low scores.

An application's score is a major determinant of its ranking, which serves as the basis for funding decisions. Therefore, application scores play a major role in determining which applications will be funded. Table 4 in app. I illustrates how the score an application receives affects its chances to receive funding. For example, in the program discussed here (identified as program #1 in the table), all eight of the application's reviewed by the panel that assigned the highest scores were at or above the funding cutoff score; of the eight applications reviewed by each of the three panels that assigned no more than one score of 138 or higher, only one was at or above the funding cutoff score. We define the funding cutoff score as the score of the lowest-scoring application selected for an award. It should be noted, however, that a score at or above the cutoff level does not necessarily guarantee funding. For example, one of the programs we reviewed selected only a certain number of its highest-scoring applications from each panel for grants.

To compensate for the tendency of some reviewers to score applications higher or lower than others, Education encourages program officials to use statistical standardization. Statistical standardization is a statistical procedure used to correct the effect of differing reviewer approaches to scoring. However, this procedure can only be used when certain criteria are met, such as a large competition. While Education reported that this procedure has been validated as sound by its expert statistician, program

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officials told us they often do not have enough applications to meet the requirements for standardization and, when they have used the procedure in the past, it has resulted in the funding of mediocre applications over higher-quality ones. However, Education officials said that standardization is generally not used alone and may be used in conjunction with other devices to further eliminate scoring variances across applications.

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### Costs of Peer Review Activities

Program officials for the nine programs we reviewed reported that they spent \$2.4 million to conduct these peer review activities, or about 41 percent of the \$5.8 million authorized in fiscal year 1998 for peer review. Eight of the programs are authorized to use up to 1 percent of program appropriations to pay the fees and expenses for outside review activities, while one program is limited to one-half percent of program appropriations for such expenses. The programs used their funds to pay for allowable expenditures such as honorariums ranging from \$100 to \$125 per day,<sup>8</sup> and reviewers' travel expenses. These funds were typically not set aside in distinct accounts, but remained in the general program appropriation for programs to draw from as needed. Some programs reported that they used remaining funds to provide additional awards and to fund outreach efforts to increase the visibility of programs, such as state directors' meetings and project directors' meetings.

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### Grant Awards Are Generally Consistent With Peer Review Scoring and Reflect Legislative Objectives

Based on the programs we reviewed, Education typically made grant awards that were consistent with the results of peer review scoring. Moreover, the grant awards generally reflected the legislative objectives for the nine programs we reviewed. Also, in those cases where the programs' legislation specified that grantees have certain characteristics, we found that the grantees generally possessed the characteristic specified.

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### Funding Decisions Are Generally Consistent With Peer Review Scoring Results

For the programs we reviewed, Education's funding decisions for grant awards generally were consistent with the results of peer review scoring, with awards predominantly given to applicants who received the highest peer review scores. In four of the nine programs, peer review scores alone determined who would receive funding. In these programs, officials used

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<sup>8</sup>One program paid reviewers a flat rate of \$600 for the entire review.

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the average score for each application to rank order the applications from high to low and developed a list of those applicants recommended for funding (including the size of the award). This meant that, in one program with more than 300 applicants, the highest-scoring 68 applicants were recommended to receive funding. Senior management officials usually reviewed these lists and, in all instances, approved the recommendations.

In the remaining five programs we reviewed, applications that met certain program priorities were awarded additional points. For example, one program added points to the scores of applicants who had prior experience with the program. Then applications were ranked from the highest-to lowest-scoring and a list of applications was recommended for funding (including size of the award) and approved, usually by senior management officials. While the addition of priority points may have changed the rank order of applications, peer review scores still played a key role. We found that at least 70 percent of the award recipients in three of the four programs would have received awards even without the additional points based on their average peer review scores. In the fourth program, applicants were not only awarded priority points, but program officials were also allowed to select certain applicants over others in order to provide geographic distribution (in accordance with program objectives) in the awarding of grants. Even in this case, about 98 percent of the applicants who received the highest peer review scores received funding. In the fifth program, grant awards were made in two allocations. In the initial allocation, 98 percent of applicants receiving awards had the highest peer review scores. In the second allocation, the program added 10 points to the score of applications that were not recommended for funding in the initial allocation and that had not received a grant in the previous award cycle and then reranked the applications. The program made awards using criteria specified in their guidance, which resulted in 85 percent of applicants with the highest adjusted peer review scores receiving awards. Because peer review scores are a major determinant in awards decisions, the need for strong and effective management controls and assessment efforts to ensure that applications receive a fair review is evident.

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### Grant Awards Generally Reflect Programs' Legislative Objectives

The grant awards we reviewed were generally consistent with the programs' overall legislative objectives. We reviewed how Education translated the legislative objectives into program requirements in (1) the application announcement, which outlines the type of projects being solicited and who is eligible to apply; and (2) scoring criteria, which explain how peer reviewers should evaluate each application. We found that

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Education adequately translated the legislative objectives into requirements in the grant announcement and scoring criteria for each of the nine programs we reviewed. For example, one program's objectives were to enhance the nation's efforts to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students at all educational levels. The application materials for this grant stated that applications should "comprehensively address multiple factors that predispose youth to drug use and violent behavior," and the scoring criteria emphasized the quality and significance of proposed projects. If Education requires applicants to adhere to the guidance provided to them in the application package, and peer reviewers apply the scoring criteria, peer review scores will likely reflect legislative objectives. If awards are based on these scores and priority points, they too will reflect legislative objectives.

We found that grantees for the three programs for which the legislation specified that recipients have certain characteristics generally possessed the characteristic specified. The legislation governing two programs specified that grantees develop or upgrade programs for limited English proficient students for schools serving these students. About half the awardees in one program and about one-third in the other had 5 to 20 times the national average of students with limited English proficiency. The legislation governing the other program specified that applicants were to be a consortium composed of at least one local education agency (LEA) with a high percentage of children living below the poverty line. We found that nearly half the recipients had a greater percentage of children living in poverty than the national average.<sup>9</sup> App. II provides detailed information on the characteristics of grantees and, to a lesser extent, about the characteristics of applicants.

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## Conclusions

The peer review process is a crucial component in determining which applications are awarded grants. Peer reviewers' scoring of grant applications plays a major role in helping Education officials decide which applications are most worthy of funding. While Education has many of the management controls needed to provide for a fair peer review process, weaknesses exist that could affect the actual or perceived fairness of the

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<sup>9</sup>Information was available only for the LEA that received the grant. Because that LEA might not be the one with a high percentage of children living below the poverty line, we may be underreporting the number of grantees with high percentages of children in poverty.

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process. Finally, Education rarely analyzes peer reviewers' feedback, tracks peer reviewers' performance, or assesses the implications of variations in average scores among review panels, all of which could improve the peer review process. Greater efforts in these areas could help Education to identify problems and improve the peer review process.

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## Recommendations

To improve the peer review process, we recommend that the Secretary of Education take the following actions:

- amend Education's directive dealing with conflict of interest and applicable peer reviewer certifications to include a statement certifying that peer reviewers do not have nonfinancial conflicts that could impair their objectivity;
- develop written policy on the protocol that program officials must follow to identify and document actions taken when a peer reviewer must be dismissed due to poor performance; and
- amend Education's directive concerning discretionary grant planning, review, and award procedures to specify that peer reviewer feedback be collected and analyzed, peer reviewers' performance be documented and tracked, and scoring variations among panels be assessed to determine the effectiveness of peer review management controls.

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## Agency Comments

Education provided comments to this report, which are reproduced in app. III. Technical comments and clarifications were incorporated as appropriate. In general, Education reported that it appreciated the recognition of the improvements that it has made in the discretionary grant process and that our report provides a good overview of those improvements. Education agreed with all of the recommendations we made to improve the peer review process and stated that it has already developed new policy guidance, which will be issued soon. For example, it has amended the peer review certification forms to include examples of conflicts of interest that arise from personal, professional, and other nonfinancial relationships. It also plans to require program offices to establish specific procedures for replacing reviewers and documenting why such actions were taken. Finally, it will issue interim guidance to ensure that effective management controls are used in the review process, including a process for assessing and documenting instances involving wide differences in panels' scoring of applications.

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Copies of this report are being sent to the Honorable Richard W. Riley, Secretary of Education, and other interested congressional committees. We will also make copies available to others upon request.

If you have questions about this report, please call me on (202) 512-7215. Other contacts and staff acknowledgments are listed in app. IV.

Sincerely yours,

A handwritten signature in black ink that reads "Marnie S. Shaul". The signature is written in a cursive style with a long horizontal flourish at the end.

Marnie S. Shaul  
Associate Director, Education, Workforce,  
and Income Security Issues

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# Scope and Methodology

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This appendix discusses in detail our scope and methodology for determining the progress that the Department of Education (Education) has made in implementing its redesigned discretionary grants award process, the management controls used to ensure fairness in the peer review process and the costs of peer review, and the extent to which grant awards were made according to peer review scores and legislative objectives.

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## Scope

In examining Education's progress in implementing the redesigned awards process, we focused on department-wide progress in accomplishing specific redesign goals. We also reviewed nine discretionary grant programs that awarded funds in fiscal year 1998, to examine management controls for the peer review process, the cost to conduct peer review activities, and the extent to which grant awards were consistent with peer review scores and legislative objectives. We selected these programs to cover a range of intended recipients, such as local education agencies (LEAs), state education agencies, institutions of higher education, and nonprofit organizations. We included programs that administer larger competitions as evidenced by the number of applicants, number of recipients, and dollar amounts awarded. And we included smaller competitions with fewer applicants and recipients and smaller dollar amounts awarded to see if there were differences in how the peer review process was administered in programs of varying sizes.

The nine programs represented 15 percent of the agency's 61 discretionary grant programs making new awards in fiscal year 1998 and almost 43 percent of the approximate \$696 million in new awards made in fiscal year 1998. In conducting our review, we did not independently verify agency data; however, much of the data we received came from the Grants Administration and Payment System, which Education uses to administer its grants program. Table 3 contains information regarding the legislative objectives of each of the nine programs, the total amount awarded, average award size, number of applicants, and number of grantees.

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**Table 3: Fiscal Year 1998 Discretionary Grant Data for Selected Programs**

<b>Program</b>	<b>Total amount awarded</b>	<b>Average award</b>	<b>Number of applications</b>	<b>Number (%) receiving grants</b>
Technology Innovation Challenge Grant Program CFDA 84.303A  Objective: Primarily to promote the use of technology to support school reform, network and telecommunication connections to improve student learning, and professional development in the integration of high-quality technology into the school curriculum	\$30,764,165	\$1,538,208	328	20 (6)
21st Century Community Learning Centers CFDA 84.287A  Objective: To enable rural and inner-city public elementary and secondary schools or a consortium of such schools to plan, implement, or expand projects that benefit the educational, health, social service, cultural, and recreational needs of their community	\$39,550,001	\$399,495	1,998	99 (5)
Magnet Schools Assistance CFDA 84.165A  Objective: To provide grants to eligible LEAs or consortia of LEAs for use in magnet schools that are part of approved desegregation plans and that are designed to bring together students from different social, economic, racial, and ethnic backgrounds	\$96,500,000	\$1,663,793	129	58 (45)
Bilingual Education Comprehensive School Grants CFDA 84.290U  Objective: To develop schoolwide programs for limited English proficient (LEP) students that reform, restructure, and upgrade all relevant programs and operations within an individual school that has a concentration of LEP students	\$16,504,250	\$261,972	401	63 (16)
Program Development Implementation Grants CFDA 84.288S	\$5,790,825	\$160,856	255	36 (14)

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<b>Program</b>	<b>Total amount awarded</b>	<b>Average award</b>	<b>Number of applications</b>	<b>Number (%) receiving grants</b>
Objective: To develop and implement new comprehensive, coherent, and successful bilingual education or special alternative instructional programs for LEP students, including programs of early childhood education, kindergarten through 12th-grade education, gifted and talented education, and vocational and applied technology education; to improve the education of LEP students and their families by implementing family education programs and parent outreach and training activities designed to assist parents to become active participants in the education of their children; to improve the instructional program by identifying, acquiring, and updating curriculum, instructional and educational software, and assessment procedures; to compensate personnel, including teacher aides who have been specifically trained, or are being trained, to provide services; and to provide tutorials and academic career counseling for LEP children and youth				
Fund for the Improvement of Education: State Partnerships for Character Education CFDA 84.215V	\$2,705,475	\$270,547	35	10 (29)
Objective: To conduct nationally significant programs to improve the quality of education, assist all students to meet challenging state content standards, and contribute to the achievement of the National Education Goals				
Safe and Drug Free Schools and Communities: Model Demonstration Programs to Create Safe & Orderly Learning Environments in Schools CFDA 84.184J	\$4,156,452	\$692,724	98	6 (6)
Objective: To enhance the nation's efforts to prevent the illegal use of drugs and violence among, and promote safety and discipline for, students at all educational levels				
Talent Search Program CFDA 84.044A	\$86,978,248	\$265,989	763	327 (43)
Objective: To identify disadvantaged youths with potential for postsecondary education; to encourage them in continuing in and graduating from secondary school and in enrolling in programs of postsecondary education; to publicize the availability of student financial aid; and to increase the number of secondary and postsecondary school dropouts who reenter an educational program				

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<b>Program</b>	<b>Total amount awarded</b>	<b>Average award</b>	<b>Number of applications</b>	<b>Number (%) receiving grants</b>
Strengthening Institutions Program CFDA 84.031A	\$19,174,811	\$281,983	366	68 (19)

Objective: To help eligible colleges and universities to strengthen their management and fiscal operations and to assist such institutions to plan, develop, or implement activities including endowment building that promise to strengthen the academic quality of their institution

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Note: Data are for new grants only.

Source: U.S. General Services Administration, *Catalog of Federal Domestic Assistance and Department of Education-Grant Administration and Payment System*, <http://www.cfda.gov> (cited Oct. 28, 1999).

## Methodology

To determine Education's progress in implementing its redesigned discretionary grant awards process, we interviewed department officials and reviewed agency documentation on the redesigned awards process. Specifically, we reviewed the agency's progress in streamlining the process and reducing the time to award grants, as well as the agency's progress in achieving other redesign goals. In addition, we reviewed and discussed with agency officials further efforts to change the process, such as expanding options for reviewing and selecting applications for funding.

To determine the extent to which peer review management controls were in place to help ensure fair grant awards decisions and the costs to conduct outside peer review activities, we interviewed department officials and reviewed department documentation on the use of peer review in making grant awards decisions in the nine discretionary grant programs. One program was unable to locate copies of the conflict-of-interest statements signed by peer reviewers. In our previous work, we found that when certain elements were missing, the fairness of a peer review process could be compromised.<sup>1</sup> Based on that, we developed a framework of elements that are needed to ensure a fair process: specifically, that reviewers (1) have relevant expertise, (2) have no conflicts of interest, and (3) apply the appropriate criteria when making assessments. In addition to the framework, we used the Government Auditing Standards to assess whether Education's management controls included a system for measuring,

<sup>1</sup>GAO/PEMD-94-1.

reporting, and monitoring the performance of the peer review process. We also reviewed Education's guidance for assessing the peer review process. We specifically discussed with agency officials the process for selecting reviewers, the training provided to peer reviewers and staff, the criteria used to assess grant applications, and how peer reviewer scores are used in making awards decisions.

To determine if there were patterns of variation among panels for each grant competition we analyzed the results of peer review scoring. We began by calculating the average application score for each panel. Then we calculated the funding cutoff score for each program, which we defined as the application score received by the lowest-scoring applicant chosen for funding. Table 4 displays the detailed findings from one of the programs we analyzed, numbers in bold representing scores of applications that scored at or above the funding cutoff level. The funding cutoff score, in all cases, does not specifically separate funded from nonfunded applications, as some programs subsequently added points to the panel score because the application met a program priority. We then grouped the panels into thirds based on application scores, as shown in table 5. The three groups were (1) panels with the highest scores, (2) panels with the middle scores, (3) and panels with the lowest scores. Finally, we calculated the percentage of applications in each of the three groups that scored at or above the funding cutoff level. These percentages, along with similar findings from the other programs, are shown in table 5.

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**Table 4: Results of Panel Score Analysis on One Program**

Panel	Score of applications assigned to each panel								Average
	Top-scoring application	Second-highest scoring application	Third-highest scoring application	Fourth-highest scoring application	Fifth-highest scoring application	Sixth-highest scoring application	Seventh-highest scoring application	Eighth-highest scoring application	
Highest one-third scoring panels									
A	<b>145</b>	<b>145</b>	<b>144</b>	<b>144</b>	<b>141</b>	<b>141</b>	<b>139</b>	<b>138</b>	142
B	<b>145</b>	<b>144</b>	<b>142</b>	<b>141</b>	<b>139</b>	<b>137</b>	135	130	139
C	<b>145</b>	<b>143</b>	<b>143</b>	<b>142</b>	<b>139</b>	136	101	none	136
D	<b>145</b>	<b>144</b>	<b>144</b>	<b>141</b>	<b>141</b>	<b>140</b>	136	64	132
E	<b>143</b>	<b>139</b>	<b>137</b>	<b>137</b>	135	128	118	117	132
Middle one-third scoring panels									
F	<b>143</b>	<b>141</b>	135	131	128	119	111	106	127
G	<b>145</b>	<b>145</b>	<b>145</b>	<b>144</b>	<b>144</b>	<b>143</b>	120	22	126
H	<b>144</b>	<b>142</b>	<b>139</b>	135	129	118	100	91	125
I	<b>143</b>	<b>134</b>	133	133	129	122	106	89	124
J	<b>142</b>	<b>137</b>	<b>134</b>	129	118	111	110	102	123
K	<b>145</b>	<b>144</b>	<b>141</b>	<b>138</b>	<b>138</b>	122	82	52	120
Lowest one-third scoring panels									
L	<b>144</b>	<b>137</b>	131	127	119	118	102	48	116
M	<b>142</b>	<b>134</b>	133	132	128	106	74	72	115
N	<b>143</b>	136	134	108	97	93	86	76	109
O	<b>142</b>	<b>139</b>	<b>139</b>	132	126	111	51	25	108
P	<b>137</b>	136	136	134	121	99	51	24	105

Note: Score is in bold if it is at or above funding cutoff score.

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**Table 5: Results of Panel Score Analysis Across Programs**

Program <sup>a</sup>	Number of panels	Range in panels' average application score	Funding cutoff score	Percentage of applications scored at or above the funding cutoff score among		
				Highest one-third scoring panels (%)	Middle one-third scoring panels (%)	Lowest one-third scoring panels (%)
1	16	105-142	136.7	74	40	20
2	7	39-62	87.7	23	12	5
3	80 <sup>b</sup>	71-99	84 <sup>c</sup>	92	79	59
4	59	68-98	95.3	37	14	11
5	3	78-80	84.3	40	30	33
6	44	29-89	94.67 <sup>d</sup>	20	6	5
7 <sup>e</sup>	56	0-67	N/A	43	33	17
8	26	29-83	89.0 <sup>f</sup>	25	18	9

<sup>a</sup>We did not analyze the one program in our review that standardized peer review scores.

<sup>b</sup>We excluded 11 panels that scored 12 or fewer applications.

<sup>c</sup>This score does not contain the priority points that were awarded by program officials after peer reviewers completed scoring. The score of 84 was the lowest panel score received by the applicant with the lowest score that was awarded a grant.

<sup>d</sup>This score does not contain the priority points that were awarded by program officials after peer reviewers completed scoring. The score of 94.67 was the lowest panel score received by the applicant with the lowest score who was awarded a grant.

<sup>e</sup>Data presented are based on the results from the first round of scoring in a multitiered selection process. Range scores represent panels with the lowest and highest percentage of applications selected for a second round of scoring. The "Percentage of applications scored..." column represents the portion of applications in each group that were forwarded to the second round of scoring.

<sup>f</sup>This score does not contain the priority points that were awarded by program officials after peer reviewers completed scoring. The score of 89.0 was the lowest panel score received by the applicant with the lowest score who was awarded a grant.

We obtained information on the cost of conducting peer review activities through discussions with program officials and a review of program documentation. We discussed with program officials how they used the money allowed for peer review and reviewed applicable legislation guiding the uses of peer review funds to determine if funds were spent appropriately.

To determine the extent to which grant awards were consistent with peer review scores, we compared the scores with awards decisions. We discussed any discrepancies with program officials. We also reviewed the

legislative objectives for each program in authorizing legislation and relevant regulations. We compared the legislative objectives to information contained in each program's grant competition announcement proposal and the Technical Review Plans. To provide information on the urban status of grantees and applicants, we used GAPS data provided to us by Education and matched it with Education Common Core of Data files to get applicants' metropolitan statistical area (MSA) or consolidated metropolitan statistical area (CMSA) codes. If the matching did not produce an MSA or CMSA code, we used the National Public School District Locator available on the National Center for Education Statistics website (<http://www.ed.gov/ccdweb/school/index.asp>) to find the missing information. We classified applicants and grantees as urban if they were located in an MSA or CMSA. Applicants who did not fall into either category were classified as nonurban. Although we provide information on the urban status of grantees and applicants, not all programs include a legislative objective that emphasizes urban applicants.

We conducted our work between May 1999 and February 2000 in accordance with generally accepted government auditing standards.

# Analysis of Grantee Characteristics for Specific Programs

To provide general information about grantees, we focused on those five programs which targeted LEAs as recipients. Doing so allowed us to provide information about the grantees, such as per-pupil expenditure and percentage of children in poverty, using readily available information.<sup>1</sup> In the other four programs, the grants were targeted primarily to state education agencies, institutions of higher education, or nonprofit organizations for which such information was not available.

Table 6 provides information about the grantees' LEP population for two programs in the Office of Bilingual Education and Minority Language Affairs. Tables 7 and 8 provide information regarding grantees' percentage of children in poverty by program and urban status. Tables 9 and 10 detail grantees' per-pupil expenditures by program and urban status. Finally, table 11 provides information regarding the urban status of all grant applicants for each of the five programs.<sup>2</sup>

**Table 6: Number and Percentage of Grantees in Office of Bilingual Education and Minority Languages Affairs Programs, by Percentage of LEP Students**

Percentages Shown in Parentheses

Program	Total grantees	Less than 2%	2-4.99%	5-9.99%	10-19.99%	20-49%	50-100%	Missing data
Bilingual Education Comprehensive School Grants	63	6 (10)	13 (21)	22 (35)	9 (14)	2 (3)	0 (0)	11 (17)
Program Development Implementation Grants	36	11 (31)	6 (17)	9 (25)	2 (6)	0 (0)	0 (0)	8 (22)

Note: National average of LEP students is 1.1%. Information on LEP status is derived from 1990 Census data. Percentages may not equal 100 due to rounding.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data, <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

<sup>1</sup>National Center for Education Statistics on the Department of Education website.

<sup>2</sup>In all five programs, if grantees are identified as specific schools rather than LEAs, we determined what district a school was located in and then provided information on that district.

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Analysis of Grantee Characteristics for  
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**Table 7: Number and Percentage of Grantees by Percentage of Children in Poverty**

Percentages Shown in Parentheses

<b>Program</b>	<b>Total grantees</b>	<b>0-10%</b>	<b>11-20%</b>	<b>21-30%</b>	<b>31-40%</b>	<b>41-50%</b>	<b>51%+</b>	<b>Missing data</b>	<b>Overall average poverty rate</b>
Magnet Schools Assistance	58	7 (12)	10 (17)	31 (53)	8 (14)	0 (0)	1 (2)	1 (2)	23.8
Program Development Implementation Grants	36	6 (17)	3 (8)	14 (39)	4 (11)	0 (0)	1 (3)	8 (22)	24.2
Bilingual Education Comprehensive School Grants	63	4 (6)	16 (25)	18 (29)	10 (16)	0 (0)	4 (6)	11(17)	26.5
21st Century Community Learning Centers	99	6 (6)	27 (27)	30 (30)	11 (11)	4 (4)	5 (5)	16 (16)	25.6
Technology Innovation Challenge Grant Program	20	3 (15)	1 (5)	5 (25)	2 (10)	2 (10)	0 (0)	7 (35)	26.8

Percentages may not equal 100 due to rounding.

Note: National average of children in poverty is 16.7%. Information regarding percentage of children in poverty is derived from 1990 Census data.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data, <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

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**Table 8: Distribution of Grantees by Percentage of Children in Poverty by Urban Status**

Percentages Shown in Parentheses

<b>Program</b>	<b>Total grantees</b>	<b>0-10%</b>	<b>11-20%</b>	<b>21-30%</b>	<b>31-40%</b>	<b>41-50%</b>	<b>51% +</b>	<b>Missing data</b>	<b>Average poverty rate percent</b>
<b>Magnet Schools Assistance</b>									
Urban	57	7 (12)	10 (18)	30 (53)	8 (14)	0 (0)	1 (2)	1 (2)	23.7
Nonurban	1	0 (0)	0 (0)	1 (100)	0 (0)	0 (0)	0 (0)	0 (0)	28.5
<b>Program Development Implementation Grants</b>									
Urban	28	6 (21)	1 (4)	12 (43)	2 (7)	0 (0)	1 (4)	6 (21)	23.8
Nonurban	8	0 (0)	2 (25)	2 (25)	2 (25)	0 (0)	0 (0)	2 (25)	25.8
<b>Bilingual Education Comprehensive School Grants<sup>a</sup></b>									
Urban	53	4 (8)	16 (30)	17 (32)	9 (17)	0 (0)	2 (4)	5 (9)	24.9
Nonurban	9	0 (0)	0 (0)	1 (11)	1 (11)	0 (0)	2 (22)	5 (56)	45.1
<b>21st Century Community Learning Centers</b>									
Urban	71	5 (7)	20 (28)	28 (39)	6 (8)	3 (4)	3 (4)	6 (8)	24.6
Nonurban	28	1 (4)	7 (25)	2 (7)	5 (18)	1 (4)	2 (7)	10 (36)	29.0
<b>Technology Innovation Challenge Grant Program</b>									
Urban	12	2 (17)	0 (0)	3 (25)	1 (8)	1 (8)	0 (0)	5 (42)	26.6
Nonurban	8	1 (13)	1 (13)	2 (25)	1 (13)	1 (13)	0 (0)	2 (25)	27.0

Note: National average of children in poverty is 16.7%. We classified applicants as urban if they were located in a metropolitan statistical area or a consolidated metropolitan statistical area. Applicants who did not fall into either area were classified as nonurban. Information regarding percentage of children in poverty is derived from 1990 Census data. Percentages may not equal 100 due to rounding.

<sup>a</sup>One grantee in the Bilingual Education Comprehensive Schools program could not be identified as either urban or nonurban.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data, <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

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**Table 9: Number and Percentage of Grantees by Per-Pupil Expenditure**

Percentages Shown in Parentheses

<b>Program</b>	<b>Total grantees</b>	<b>\$1-3,999</b>	<b>\$4,000-5,999</b>	<b>\$6,000-7,999</b>	<b>\$8,000-11,999</b>	<b>\$12,000+</b>	<b>Missing data</b>	<b>Average</b>
Magnet Schools Assistance	58	3 (5)	30 (52)	18 (31)	6 (10)	0 (0)	1 (2)	5,982
Program Development Implementation Grants	36	2 (6)	15 (42)	7 (19)	5 (14)	1 (3)	6 (17)	7,022
Bilingual Education Comprehensive Schools Grants	63	2 (3)	37 (59)	15 (24)	2 (3)	1 (2)	6 (10)	5,609
21st Century Community Learning Centers	99	8 (8)	56 (57)	20 (20)	8 (8)	0 (0)	7 (7)	5,651
Technology Innovation Challenge Grant Program	20	3 (15)	5 (25)	4 (20)	0 (0)	1 (5)	7 (35)	5,975

Note: National average per-pupil expenditure is \$5,529. Information is for 1995-96 school year. Percentages may not equal 100 due to rounding.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data, <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

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**Table 10: Distribution of Grantees by Per-Pupil Expenditure Controlling for Urban Status**

<b>Program</b>	<b>Total grantees</b>	<b>\$1-3,999</b>	<b>\$4,000-5,999</b>	<b>\$6,000-7,999</b>	<b>\$8,000-11,999</b>	<b>\$12,000 +</b>	<b>Missing data</b>	<b>Average</b>
<b>Magnet Schools Assistance</b>								
Urban	57	3 (5)	29 (51)	18 (32)	6 (11)	0 (0)	1 (2)	5,997
Nonurban	1	0 (0)	1 (100)	0 (0)	0 (0)	0 (0)	0 (0)	5,099
<b>Program Development Implementation Grants</b>								
Urban	28	1 (4)	12 (43)	7 (25)	3 (11)	1 (4)	4 (14)	6,899
Nonurban	8	1 (13)	3 (38)	0 (0)	2 (25)	0 (0)	2 (25)	6,343
<b>Bilingual Education Comprehensive School Grants<sup>a</sup></b>								
Urban	53	2 (4)	31 (58)	15 (28)	2 (4)	1 (2)	2 (4)	5,668
Nonurban	9	0 (0)	6 (67)	0 (0)	0 (0)	0 (0)	3 (33)	5,108
<b>21st Century Community Learning Centers</b>								
Urban	71	6 (8)	41 (58)	14 (20)	7 (10)	0 (0)	3 (4)	5,685
Nonurban	28	2 (7)	15 (54)	6 (21)	1 (4)	0 (0)	4 (14)	5,556
<b>Technology Innovation Challenge Grant Program</b>								
Urban	12	2 (17)	1 (8)	4 (33)	0 (0)	0 (0)	5 (42)	5,879
Nonurban	8	1 (13)	4 (50)	0 (0)	0 (0)	1 (13)	2 (25)	6,088

Note: National average per-pupil expenditure is \$5,529. Information is for 1995-96 school year. Percentages may not equal 100 due to rounding. We classified applicants as urban if they were located in a metropolitan statistical area or a consolidated metropolitan statistical area. Applicants who did not fall into either area were classified as nonurban.

<sup>a</sup>One grantee in the Bilingual Education Comprehensive School Grants program could not be identified as either urban or nonurban.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data, <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

**Appendix II**  
**Analysis of Grantee Characteristics for**  
**Specific Programs**

**Table 11: Percentage of Grant Applicants by Urban Status**

<b>Program</b>	<b>Urban</b>	<b>Nonurban</b>
<b>Magnet Schools Assistance</b>		
Successful	98	2
Unsuccessful <sup>a</sup>	93	6
<b>Program Development Implementation Grants</b>		
Successful	78	22
Unsuccessful <sup>b</sup>	65	28
<b>Bilingual Education Comprehensive School Grants</b>		
Successful <sup>c</sup>	84	14
Unsuccessful <sup>d</sup>	70	26
<b>21st Century Community Learning Centers</b>		
Successful	72	28
Unsuccessful <sup>e</sup>	55	43
<b>Technology Innovation Challenge Grant Program</b>		
Successful	60	40
Unsuccessful <sup>f</sup>	66	33

Note: We classified applicants as urban if they were located in a metropolitan statistical area or consolidated metropolitan statistical area. Applicants who did not fall into either area were classified as nonurban.

<sup>a</sup>One percent of unsuccessful applicants cannot be classified as urban or nonurban.

<sup>b</sup>Seven percent of unsuccessful applicants cannot be classified as urban or nonurban.

<sup>c</sup>Two percent of successful applicants cannot be classified as urban or nonurban.

<sup>d</sup>Four percent of unsuccessful applicants cannot be classified as urban or nonurban.

<sup>e</sup>Two percent of unsuccessful applicants cannot be classified as urban or nonurban.

<sup>f</sup>Less than 1 percent of unsuccessful applicants cannot be classified as urban or nonurban.

Source: U.S. Department of Education, Grant Administration and Payment System, and Common Core of Data; <http://www.nces.ed.gov/ccd>; and National Center for Education Statistics, Education Finance Center website, <http://www.nces.ed.gov/edfin/search> (cited Oct. 25, 1999).

# Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION

THE DEPUTY SECRETARY

March 2, 2000

Ms. Marnie S. Shaul  
Associate Director, Education, Workforce  
and Income Security  
U. S. General Accounting Office  
Washington, DC 20548

Dear Ms. Shaul:

Thank you for the opportunity to review the draft of the General Accounting Office (GAO) report to the Chairman of the Oversight and Investigations Subcommittee of the House Education and the Workforce Committee, entitled "Education Discretionary Grants: Redesigned Awards Process Could Benefit From Additional Improvements." In general, the report provides a good overview of improvements to the Department of Education (ED) grantmaking processes. As noted in your draft report, we now make over 50 percent of our new grant awards by May 31. We attribute this achievement to our more efficient, redesigned operations, which are less burdensome for applicants and allow us to handle applications quicker. It is encouraging to have this confirmed by GAO. We also appreciate GAO's recognizing that other goals of the redesigned discretionary grant process have been achieved.

Before addressing the specific recommendations in the draft report, we offer the following comments on major areas of the report that we believe require clarification.

• **Proposed Options for Reviewing Applications and Selecting Grantees**

The draft report discusses several changes that ED is considering that would increase the options available for reviewing applications and selecting grantees, specifically, a novice set-aside; review of applications by highly qualified ED staff members rather than by reviewers from outside the Department; and quality band ratings as an alternative to numeric scoring. While the report indicates these changes could offer certain benefits, it also indicates that there could be tradeoffs. We would like to clarify how ED is taking action to ensure that the proposed changes would be improvements in our grantmaking process.

It is important to note that before implementing the improvements in the three areas mentioned above, ED will publish a Notice of Proposed Rulemaking (NPRM) in the Federal Register and request public comment. ED will review and carefully consider the public's comments before making any changes to current regulations. Further, it is important to clarify that these proposed changes provide additional options for reviewing and selecting grants -- none of them would be mandatory for use in any ED program. Before using any of the new options under consideration for a particular program, ED will carefully consider whether the particular review or selection

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method would benefit the individual program and its customers, and help further the program purpose.

Now on pages 10-11.

Regarding the novice applicant procedures (pages 3-4, 9 and 12)<sup>1</sup>, the fixed 10 percent set-aside is no longer being considered and the use of novice applicant procedures in competitions would be made optional. While developing the NPRM, ED determined that placing a threshold on the amount of funds that programs should set aside for novice applicants would not serve the best interests of our programs. By removing the fixed percentage for the set-aside and making the novice applicant procedures optional, we believe that GAO's concerns about reducing funding for the general competition are being addressed.

This was deleted from the report.

ED is no longer proposing to use panels that include only qualified ED staff members to review applications for grants less than \$75,000 (page 13). While ED is considering expanding the use of staff reviewers for some competitions (e.g., small awards and competitions where a large percentage of the applications will be funded), this proposal would not change current regulations on this point. In general, under current regulations, the Secretary may use federal government employees, including ED staff, as experts to review applications [34 CFR 75.217(b)]. GAO notes that staff reviewers could be viewed by some applicants as having less expertise and being less objective. ED does not agree. ED staff who serve as reviewers are selected using the same high criteria as other reviewers and have the necessary experience, skills, and objectivity to review applications fairly and effectively.

Now on page 11.

Regarding quality band ratings (page 13), GAO indicates that using such ratings could result in a less defensible justification for applications that were not selected because of lack of specificity in drawing distinctions between applications. One of the most critical components of the quality band rating system are the reviewers' comments, as is the case with our regular review process. In order to support the ratings, reviewers are required to provide detailed justifications that identify the strengths and weaknesses of each application. Prior to the start of any review process, ED provides reviewers with information on its expectations for substantive, narrative comments. We will continue to emphasize the importance of comments. Thus, we believe that decisions about funding applications under the quality band system will have more than adequate justification.

**• Electronic Submission of Grant Applications and Electronic Peer Review •**

Now on pages 10-11.

The draft report notes that ED is considering electronic application submission and conducting peer reviews on-line (pages 13-14). ED is currently pilot testing both aspects of an electronic grants process. A driving force behind these efforts is the Government Paperwork Elimination Act of 1998 (P.L. 105-277) which requires that agencies generally provide for the optional use and acceptance of electronic documents.

The draft report mentions that electronic application submission could result in lost or changed data and that applicants could miss deadlines due to delayed transmissions. However, under our

<sup>1</sup> Page numbers cited in this letter correspond to the page numbers in the GAO draft report.

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proposal applicants would enter data directly into the ED database via the Department's web site, a submission process designed to reduce the likelihood of lost data.

Additionally, ED recently initiated a pilot project. In February, we announced in the Federal Register that five competitions would be part of a pilot that allows applicants to electronically initiate, develop and submit applications, and check their status. Three more competitions will join the pilot in March. ED has designed, and OMB has approved, a collection instrument that will gather information from these pilots. ED will make any necessary modifications to the electronic process prior to adding new competitions in FY 2001.

The Federal Financial Assistance Management Improvement Act of 1999 (P.L. 106-107) requires each Federal agency to develop and implement a plan that includes a common application and reporting system for its financial assistance programs and the ability to apply for grants and report progress electronically. In conjunction with other Federal agencies, ED is testing systems and resolving issues regarding electronic application submissions.

The draft report also noted some concern that conducting peer reviews electronically could provide less assurance that peer reviewers are properly applying the selection criteria because of the lack of oversight by ED staff. We believe that using electronic reviews will give ED staff greater capability to monitor reviewer performance, including timely review of reviewers' scores and comments, and to provide immediate feedback to the reviewers.

• **Reduction in Administrative Steps in Grantmaking Process**

The draft report mentions that ED's redesign of its grantmaking process has eliminated unnecessary, time-consuming administrative steps (page 10). However, the draft report states that ED was unable to demonstrate the extent to which it pared the awards process down to 221 steps. There are currently 192 steps involved in the six major processes of the redesign, a 60 percent reduction in steps from the process prior to the redesign. Many of these steps in the redesign are different from those performed in the original process and some are optional. Also, as part of our ongoing efforts to increase efficiency, flexibility, and accountability, steps within the six processes may be eliminated or added to improve the quality of the process and strengthen accountability.

• **Statistical Standardization**

The draft report discusses ED's use of statistical standardization stating that, when used in the past, statistical standardization has resulted in the funding of lesser quality applications over higher quality ones, according to some program officials (page 21). We do not believe that this is true. The primary goal of ED's application review processes is to ensure that applications receive a fair and equitable review and that the highest quality applications are funded. Among other things, this means that each panel chair closely monitors the review and discussion of each application, working with panel members to achieve a fair review, and that award decisions are based objectively on merit. For some competitions, so many applications are received that a

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single group (panel) of readers could not conduct the review. Often, ED uses more than one panel, and in some instances multitiered panel reviews. Applications are then divided among panels, with each panel reading different applications.

The purpose of the current score standardization process is to use a statistical procedure to correct the effect of differing reviewer approaches to assigning raw scores. This procedure, which can equalize reviewer scoring by making adjustments for scoring variances, is to be used by programs only when the assumptions for standardization are met, such as large competitions. Recently, the Department's expert statistician reviewed the standardization process and found it to be statistically sound. Standardization generally is not used alone. Program staff are encouraged to review applications after standardization and may use such further devices as descriptive statistics and repeated measures tests to further eliminate variances across applications. **ED is committed to assessing the use of the standardization process in its reviews to ensure that all programs that use the process have incorporated appropriate statistical models as needed to ensure that all applications are treated fairly. This assessment will be used to develop relevant sections of our new directive on discretionary grant procedures.**

ED acknowledges the complexity sometimes associated with obtaining fair, accurate, and objective results across panel reviews and accepts honest differences of opinions between experts as essential to obtaining objective and meaningful reviews. Even with the range of statistical analyses used, some programs will ask reviewers to provide qualitative recommendations of approval, disapproval, or conditional approval, as specified in the Application Technical Review Plan for the competition. The extensive analysis and follow-up with panels provides program staff and recommending officials with the confidence that the competition results are fair and objective.

**• Use of Program Priorities for Additional Points**

The draft report seems to imply that ED uses priorities or competitive point preferences in a "discretionary manner" that sounds somewhat haphazard, and without notice (pages 7, 21, 23). In fact, ED only uses priorities that are statutory, or after giving appropriate notice through publication in the Federal Register and using the rulemaking process when appropriate. **Additionally, the priorities must be consistent with the purposes of the statute and program involved. This effective use of priorities, with proper advance notice to applicants, helps to ensure high quality programs and the most appropriate use of limited resources for proper education purposes.**

**RECOMMENDATIONS**

The three recommendations in the draft report addressed management controls in the following areas: personal and professional, or "nonfinancial" conflicts of interest, replacing reviewers, and differences in panel scoring. We are pleased to report that we have already initiated corrective action on the three recommendations. Specifically, we have developed new policy guidance in these three areas, which I will be issuing soon.

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The following provides our specific responses to the three recommendations.

**1. Peer Reviewers' Personal and Professional Conflicts of Interest**

We believe that our current policy, as articulated in our ACS Directive, Discretionary Grant Planning, Review and Award Procedures, covers all conflicts of interest. However, we agree that further clarification of specific types of relationships that may give rise to the appearance of a conflict of interest, as described in the directive -- or "nonfinancial" conflicts in GAO's terms -- is desirable. Therefore, we have amended the peer reviewer certification forms to include examples of conflicts of interest that arise from personal, professional, and other "nonfinancial" relationships.

**2. Replacing a Reviewer During the Review**

To deal with situations in which a reviewer is either unable or unwilling to perform his or her job, we will require program offices to establish specific procedures for replacing reviewers in their Application Technical Review Plan. Program offices also will document the reasons for and actions taken to replace any reviewer in the funding memorandum and the official competition file.

**3. Effective Management Controls for the Review Process**

We will clarify ED policy by issuing interim guidance to ensure that effective management controls are used in the review process. Our interim policy will require that each Application Technical Review Plan include a process for assessing and documenting wide differences in panels' scoring of applications as follows:

- Guidance to reviewers so that they become familiar with the selection criteria *vis a vis* scoring, prior to reviewing applications for funding.
- A description of the manner by which the program office will determine if review panels vary widely in their scoring of applications in a given competition, and will detail the office's action to resolve the matter. The description must include a discussion of what will constitute "consistent wide differences in scoring by panels" and the method by which the program office will determine whether the wide differences are attributable to the quality of the applications.

The interim policy will reemphasize that each Principal Office is to follow the provisions of the current directive, Discretionary Grant Planning, Review and Award Procedures, (Section XIV F) that require annual review of the peer review process, including collecting and analyzing peer reviewer feedback and staff evaluation of the reviewers' performance.

Thank you for the opportunity to comment on the report. I hope the technical comments submitted by the Office of the Executive Secretariat and the comments in this letter are helpful. We appreciate the recognition of the improvements that we have made in the discretionary grant

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process. We will continue to evaluate the process to identify ways to strengthen our oversight responsibilities and identify opportunities for improvement. We also plan to develop new guidelines and provide more training to staff to ensure that we provide the best service possible to applicants and grantees.

If you have any questions regarding our comments, please contact Blanca Rodriguez at 202-260-8725.

Sincerely,



Frank S. Holleman III

# GAO Contacts and Staff Acknowledgements

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## GAO Contacts

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## Staff Acknowledgements

In addition to those name above, George Erhart, Brett Fallavollita, and Gillian Martin, Senior Evaluators, and Jonathan Barker, Senior Attorney, Office of General Counsel, made key contributions to this report.

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