



U.S. Department of Education
Office of Inspector General

The Department's Compliance with Experimental Sites Initiative Reporting Requirements

October 31, 2022
ED-OIG/I22DC0054

NOTICE

Statements that managerial practices need improvements, as well as other conclusions and recommendations in this report, represent the opinions of the Office of Inspector General. The appropriate Department of Education officials will determine what corrective actions should be taken.

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UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Audit Services

October 31, 2022

TO: Richard Cordray
Chief Operating Officer
Federal Student Aid

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

SUBJECT: Final Report, "The Department's Compliance with Experimental Sites Initiative Reporting Requirements," Control Number ED-OIG/I22DC0054

Attached is the subject final report that consolidates the results of our review of the Department's compliance with Experimental Sites Initiative reporting requirements. We have provided an electronic copy to your audit liaison officer. We received your comments agreeing with the finding and recommendations in our draft report.

U.S. Department of Education policy requires that you develop a final corrective action plan within 30 days of the issuance of this report. The corrective action plan should set forth the specific action items and targeted completion dates necessary to implement final corrective actions on the finding and recommendations contained in this final report. Corrective actions that your office proposes and implements will be monitored and tracked through the Department's Audit Accountability and Resolution Tracking System.

In accordance with the Inspector General Act of 1978, as amended, the Office of Inspector General is required to report to Congress twice a year on the reviews that remain unresolved after 6 months from the date of issuance.

We appreciate your cooperation during this review. If you have any questions, please contact Michele Weaver-Dugan at (202) 245-6941 or Michele.Weaver-Dugan@ed.gov.

Attachment

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Results in Brief

What We Did

The objective of our inspection was to determine the U.S. Department of Education's (Department) compliance with Experimental Sites Initiative (ESI) reporting requirements. We reviewed ESI reports published by the Department and the list of completed and ongoing ESI experiments to determine whether the Department has reported every 2 years on ESI experiments as required.

What We Found

We found that the Department is not complying with ESI reporting requirements. The Department has not published a comprehensive ESI report since the 2010–2011 award year report. The Department published two ESI reports in 2020, but these reports did not satisfy the reporting requirements as they each covered only one experiment, not all recently completed and ongoing experiments. There are 15 ESI experiments that have been implemented by the Department since the issuance of the last comprehensive report that have not yet been reported on by the Department.

What We Recommend

We recommend that the Chief Operating Officer of Federal Student Aid (FSA) ensure that reporting on each of the ongoing experiments conducted under the ESI, as well as those that have been completed or discontinued that have not yet been reported on, is completed and submitted to the Congressional authorizing committees at least every 2 years, as required by law, and that the individuals responsible for completing these reports and the individuals responsible for submitting these reports are held accountable for doing so.

FSA's Comments and Our Response

We provided a draft of this report to FSA for comment. We summarize FSA's comments at the end of the finding and provide the full text of the comments at the end of the report (see [FSA Comments](#)).

FSA agreed with the finding and recommendations. FSA stated that some experiments under the ESI over the past three decades were initiated without adequate plans for data collection and evaluation, and as a result, the learning from such experiments has been somewhat limited. FSA added that since the reports would have yielded little information of value, the Department did not provide such reports to the authorizing committees. FSA stated that key Department officials have made it a priority to improve the design of the ESI for future experiments to make it easier to conduct more rigorous evaluations and produce information of value to policymakers.

With regard to Recommendation 1.1, FSA stated that by December 31, 2022, it will ensure that it publishes and provides the Congressional authorizing committees a comprehensive report on the ESI that will address experiments since the 2010–2011 award year report and will continue to publish annually a similar comprehensive report consistent with statutory requirements. To address Recommendation 1.2, FSA stated it will include responsibilities for ensuring timely completion of reports in the appropriate individuals' performance evaluations to ensure that team members who are responsible for writing the report are held accountable for its progress. In addition, FSA will establish policies and procedures to ensure reports on the ESI are completed on schedule.

FSA's proposed corrective actions, if implemented as described, are responsive to our recommendations.

Introduction

Under section 487A(b) of the Higher Education Act of 1965 (HEA), as amended, Congress authorized the Experimental Sites Initiative (ESI). Experiments under this initiative are designed to test the effectiveness of statutory and regulatory flexibilities for participating institutions disbursing Title IV student aid.¹ The U.S. Department of Education (Department) waives specific statutory or regulatory requirements at the postsecondary institutions, or consortia of institutions, approved to participate in the experiments. By comparing the results achieved with the flexibilities to the results under current regulations, the Department could have data to support changes to regulations and statutes. The outcomes of experiments have the potential to benefit all postsecondary institutions and the students they serve.

Since 1996, Federal Student Aid (FSA) has overseen the ESI. As a condition of their participation, FSA requires that all ESI schools provide outcome data on their experiment(s). Participating institutions submit these reports to FSA through experiment-specific, web-based reporting templates. These templates collect quantitative data and the institutions' qualitative comments.

According to FSA's website as of August 2022, the Department has two active experiments:

1. **Second Chance Pell Experiment.** Under this experiment, participating institutions will provide Federal Pell Grant funding to otherwise eligible students who are incarcerated in Federal or State penal institutions. (August 3, 2015, Federal Register Notice; Electronic Announcements also posted on May 20, 2019, and July 31, 2021, inviting additional institutions to apply.)
2. **Federal Work-Study Experiment.** This experiment aims, among other things, to determine whether, by reducing the difficulty to institutions of paying Federal Work Study wages to students employed by private sector companies, institutions can cultivate additional private sector opportunities for employment. (May 23, 2019, Federal Register Notice)

FSA's website notes that 15 experiments ended between June 30, 2016, and June 30, 2022. (Invitations to participate in these experiments had been posted in the Federal Register between October 2011 and August 2016.)

¹ Experiments are announced in the Federal Register. Interested institutions submit applications to the Department for review, which are considered along with the institution's compliance history, prior to being approved for participation.

Finding. The Department Is Not Complying with ESI Reporting Requirements

We found that the Department is not complying with the requirement that it submit a report every 2 years to Congress based on its review and evaluation of each experiment. While the Department consistently published comprehensive reports at least every 2 years covering all ongoing and recently completed ESI experiments from 2003 (covering the 2001–2002 award year) through 2012 (covering the 2010–2011 award year),² it has not published a comprehensive report since. The Department published two ESI reports in 2020,³ but these reports did not satisfy the reporting requirements as they did not include all recently completed and ongoing experiments.

We determined that there have been 4 consecutive reporting periods⁴ in which the Department has not complied with ESI reporting requirements and 15 experiments that were implemented since the issuance of the last comprehensive report that have not yet been reported on by the Department.

While FSA has processes to collect data on ESI experiments annually from participating schools via surveys and web-based reporting tools, FSA has not used any data that may have been reported by schools to prepare and submit the required reports to Congress, except for the report published in 2020 that covered only one experiment.

Section 487A(b)(2) of the HEA, as amended, requires the Department to review and evaluate the experience of institutions participating as experimental sites and submit a report every 2 years based on the review and evaluation to the authorizing

² The 2010–2011 award year report was not dated, and FSA staff could not provide the date it was published. We estimate that the report was published in 2012 based on the reporting trend for award years prior to this report.

³ FSA published one report in 2020 that covered the Second Chance Pell experiment during award years 2016–2017 and 2017–2018. The Institute of Education Sciences also published one report in 2020 that covered the effects of the Expanding Pell Grant Eligibility for Short Occupational Training Programs experiment during award years 2011–2012 through 2017–2018. Institute of Education Sciences staff explained that while they do occasionally produce reports covering ESI experiments, those reports are for informational purposes only and the Institute of Education Sciences has no responsibility related to the Department’s compliance with ESI reporting requirements.

⁴ Based on the assumption that the last comprehensive ESI report was published in 2012, subsequent reports covering all recently completed and ongoing experiments were due in 2014, 2016, 2018, and 2020.

committees.⁵ The report is to include (a) a list of participating institutions and the specific statutory or regulatory waivers granted to each institution; (b) the findings and conclusions reached regarding each of the experiments conducted; and (c) recommendations for amendments to improve and streamline the HEA, based on the results of the experiment.

The Government Accountability Office's Standards for Internal Control in the Federal Government, section OV2.22 states that

[i]n the government sector, objectives related to compliance with applicable laws and regulations are very significant. Laws and regulations often prescribe a government entity's objectives, structure, methods to achieve objectives, and reporting of performance relative to achieving objectives. Management considers objectives in the category of compliance comprehensively for the entity and determines what controls are necessary to design, implement, and operate for the entity to achieve these objectives effectively.

Section 15.01 states that "[m]anagement should externally communicate the necessary quality information to achieve the entity's objectives."

ESI Reporting Was Not Prioritized

We determined that the Department has not made it a priority to comply with the ESI reporting requirements and has not been held accountable for doing so. ESI team members identified several potential reasons for why reports were not produced as required. This included resource limitations, restructurings, and inaction of senior managers. However, we were unable to speak to individuals who were in leadership positions during the time when ESI reports were not submitted to Congress to obtain their perspectives.⁶

The lead data analyst and other Department staff noted that the ESI team has had resource, staffing, and budget challenges in the past. ESI staff also mentioned that due to the frequent reorganization and shifting of ESI and Department responsibilities, ESI reporting was not necessarily seen as part of FSA's primary mission and was therefore not always prioritized. The lead data analyst, who noted he has worked on ESI analysis since 2007, stated that ESI staff prepared preliminary analyses of ongoing and recently completed experiments for potential inclusion in evaluation reports. However, he was

⁵ The requirement that reports be submitted every 2 years came into effect in 2008. Prior to 2008, the law did not specify how often reports were required.

⁶ The individuals that served as ESI team directors during this time are no longer with the Department.

not aware of these analyses entering a review process beyond a 2016 draft report covering the experiment on limiting unsubsidized loan amounts.⁷

The current ESI director (as of March 2020) stated that he is not aware of why reports were not being sent to Congress as required from 2012 through 2020, since that predated his time as ESI team director. The current ESI director noted that a published report on one experiment alone would not satisfy the reporting requirement under the HEA if the Department was conducting more than one experiment. However, the director believed the Department could choose to publish a report on each individual experiment once every 2 years to satisfy the requirements of the HEA, and this was originally FSA's intent when it began publishing individual reports in 2020. The director noted that this choice was made in part to ensure that the ESI team's limited resources were devoted to providing Congress and the public with the most policy-relevant information possible, which at that time was related to the Second Chance Pell experiment as Congress debated whether to reinstate Pell Grant eligibility for incarcerated students.

Planned Improvements

The current ESI director noted that the Department has recently decided to adapt its process to publish a comprehensive report on a regular basis as well as individualized reports when there is policy-relevant data available for Congressional consideration or when an experiment has concluded.⁸ The current ESI director stated that he believes the ESI team currently has the resources to handle the preparation of comprehensive reports and individualized reports. He explained that FSA now includes a new office called the Research and Analysis Group that the ESI team plans to work with, which will be able to assist the team when needed to ensure that the comprehensive reports are completed on schedule in the future. The current ESI director added that the ESI team plans to complete and submit to Congress a comprehensive report no later than the end of the 2022 fiscal year (September 30, 2022).

⁷ This report was not published. An Office of the Under Secretary (OUS) official involved in the review process for that report recalled that there was confusion created by the data in the report and that there was discussion between FSA and report reviewers about how to make the data more useful and presentable. The OUS official stated that the report went back to FSA for editing. This official did not have any insight as to what happened to the report after that and why it never got finalized and submitted to Congress.

⁸ FSA is currently drafting two individual ESI experiment reports, one related to dual enrollment, and the other on the limitation of unsubsidized loan amounts.

The current ESI director noted that FSA has been working with colleagues in the Institute of Education Sciences and OUS to establish a plan for ESI reporting. FSA and Institute of Education Sciences staff mentioned that the Institute of Education Sciences may be given increased responsibility regarding ESI reporting moving forward. The current ESI director noted that as of June 2022, no decision has been made but that conversations are expected to continue.

In written comments provided after the conclusion of our fieldwork, a Department official from OUS noted that the Department has at times launched experiments without adequate plans for data collection and evaluation; and learning from such experiments has been somewhat limited. Given that the reports would yield little information, the Department official noted it was understood that the Department has not provided such reports to the authorizing committees. The Department official also noted that the Department has made it a priority to improve the design of the ESI for future experiments to make it easier to conduct more rigorous evaluations and produce information of value to policymakers. Department officials from FSA, the Institute of Education Sciences, and OUS have worked together to develop principles for future experiments, which include a commitment to publishing the comprehensive report every 2 years.

Effect of Noncompliance with Reporting Requirements

The Department's noncompliance with the ESI reporting requirements has created a situation where the success or failure of the experiments conducted under the ESI has not been reported to those in Congress and the Department who could use the information to enhance higher education policy to better serve students. The Department has not communicated whether the experiments have reduced administrative burdens to the institutions, without creating costs for the taxpayer; and whether the experiments have improved the delivery of services to, or otherwise benefitted, students, which is the basis by which the Department is to determine the success of an institution's participation as an experimental site, as noted in section 487A(b)(4) of the HEA. Congress and the general public have not been informed about the viability, potential benefits, and lessons learned from these experiments since 2012. Because Congress has been provided little to no insight about these experiments, which are intended to test and evaluate potential Federal policy changes on a larger scale, Congress has not been provided information that could have been used to enhance legislation to ensure that taxpayer funds are used to benefit students as efficiently and effectively as possible.

In instances when the Department feels that the data being provided by schools participating in an ESI experiment is lacking in quality or quantity, Congress should still be informed about the situation to help determine whether the experiment is worth

continuing. We would note that the ESI reporting requirement does not provide the Department with discretion as to whether it submits the required report based on its assessment of the value, usefulness, or adequacy of the information collected. Without timely evaluations, success or failure of the experiments intended to benefit millions of students cannot be determined and the intent of the ESI is lost. Further, noncompliance with a statutory reporting requirement raises several serious concerns, including the Department's ability to manage the ESI effectively and with transparency.

Recommendations

We recommend that the Chief Operating Officer of FSA—

- 1.1 Ensure that reporting on each of the ongoing experiments conducted under the ESI, as well as those that have been completed or discontinued that have not yet been reported on, is completed and submitted to the Congressional authorizing committees at least every 2 years, as required by Section 487A(b)(2) of the HEA.
- 1.2 Put in place measures, such as applicable performance agreement standards, to ensure that the individuals responsible for completing these reports and the individuals responsible for submitting these reports are held accountable for doing so.

We also suggest that Congress consider placing limits on the Department's ability to implement any new experiments under the ESI until it complies with the applicable reporting requirements.

FSA Comments

FSA agreed with the finding and recommendations. FSA stated that some experiments under the ESI over the past three decades were initiated without adequate plans for data collection and evaluation, and as a result, the learning from such experiments has been somewhat limited. FSA added that since the reports would have yielded little information of value, the Department did not provide such reports to the authorizing committees.

FSA stated that key Department officials have made it a priority to improve the design of the ESI for future experiments, to make it easier to conduct more rigorous evaluations and produce information of value to policymakers. These officials have also made it a priority to prepare the most recent biennial evaluation report for Congress. FSA added that experiment-specific reports are also underway for several of the experiments which it hopes will provide further information to policymakers and the public.

In response to Recommendation 1.1, FSA stated that by December 31, 2022, the Department will ensure that it publishes and provides to the Congressional authorizing committees a comprehensive report on the ESI that addresses the status of each active experiment for which the Department continues to perform analysis, or for which the Department has published a final evaluation report since the last comprehensive report. FSA noted that this comprehensive report will address all such experiments since the 2010–2011 award year report. It will also publish annually a similar comprehensive report consistent with statutory requirements. In response to Recommendation 1.2, FSA stated that it will include responsibilities for ensuring timely completion of such reports in the appropriate individuals’ performance evaluations to ensure that team members who are responsible for writing the report are held accountable for its progress. In addition, FSA will establish policies and procedures to ensure reports on ESI are completed on schedule.

OIG Response

FSA’s proposed corrective actions, if implemented as described, are responsive to our recommendations.

Appendix A. Scope and Methodology

To answer our objective, we reviewed the laws, guidance, and other criteria related to the Department's ESI reporting. We also reviewed prior Office of Inspector General (OIG) and Government Accountability Office reports related to our objective. We held discussions with FSA, the Institute of Education Sciences, and OUS staff to obtain an understanding of the Department's ESI reporting process. We reviewed ESI reports available on FSA's and the Institute of Education Science's websites and the list of completed and ongoing ESI experiments to determine whether the Department has reported on ESI experiments every 2 years, as required. We also reviewed documentation provided by FSA's ESI team pertaining to annual school data requests and preliminary analysis of experiments.

We performed our work for this review from February 2022 through July 2022.

Compliance with Standards

We conducted our work in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*. Those standards require that we plan and perform our work to obtain sufficient and appropriate evidence to support our findings and provide a reasonable basis for our conclusions. We believe that the evidence obtained provides a reasonable basis for our conclusions.

Appendix B. Acronyms and Abbreviations

Department	U.S. Department of Education
ESI	Experimental Sites Initiative
FSA	Federal Student Aid
HEA	Higher Education Act of 1965
OIG	Office of Inspector General
OUS	Office of the Under Secretary

FSA Comments



October 11, 2022

TO: Michele Weaver-Dugan
Regional Inspector General for Audit, Internal Operations
Philadelphia Audit Region
Office of Inspector General
U.S. Department of Education

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

FROM: Richard Cordray
Chief Operating Officer
Federal Student Aid

SUBJECT: Draft Audit Report, “The Department’s Compliance with Experimental Sites Initiative Reporting Requirements”, Control Number ED-OIG/I22DC0054

Dear Ms. Weaver-Dugan:

Thank you for the opportunity to review and comment on the statements and recommendations made in the Office of Inspector General (“OIG”) Draft Report, *The Department’s Compliance with Experimental Sites Initiative Reporting Requirements* (I22DC0054), dated September 22, 2022.

OIG presented one finding in the Draft Report, with two recommendations. FSA’s responses to the finding and recommendations are below.

The Department is aware that over the past three decades, as the ESI have been authorized under the HEA, some experiments under the ESI were initiated without adequate plans for data collection and evaluation. As a result, the learning from such experiments has been somewhat limited. Despite substantial improvements in experiment design and implementation since 2011, when the Department began to modify the design of the experiments to produce more valuable policy information, the reports and analysis the Department has produced often have been of limited utility. During this timeframe, given that the reports would have yielded little information of value, the Department did not provide such reports to the authorizing committees.

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At the same time, the Department provided a significant amount of information and transparency on the Experimental Sites Initiative and the work that institutions were doing through each of the ongoing experiments. The Department provided this information at the Experimental Sites website at: <https://experimentalsites.ed.gov/exp/index.html>. This information includes background on each experiment that is currently running, and an up-to-date list of institutions participating in each experiment, as well as the guidance and data reporting requirements that were provided to the participating institutions for each experiment. It also, for example, includes a very informative report for award years 2016-2017 and 2017-2018 for Second Chance Pell, one of the key parts of the Experimental Sites Initiative. That report is available at:

<https://experimentalsites.ed.gov/exp/pdf/20162018SecondChancePellESIRReport.pdf>

With the start of the Biden-Harris Administration, key officials made it a priority to improve the design of the ESI for future experiments to make it easier to conduct more rigorous evaluations and produce information of value to policymakers. Department officials across the office of Federal Student Aid, the Institute of Education Sciences, and the Office of the Under Secretary, with further insights from the Office of Management and Budget, jointly developed the attached principles for future experiments. The principles include a commitment to publishing the biennial implementation reports, but also went beyond that commitment to develop goals for ensuring impact evaluations and policy-relevant data wherever possible. The Department has also notified institutions that it will end several of the experiments that were not designed to support rigorous evaluation. Doing so will help us refocus the experiments going forward, consistent with these principles.

In addition, officials made it a priority to prepare the most recent biennial evaluation report for Congress. That report is close to completion, and as we work to close it out we look forward to sharing it soon with Congress. Further experiment-specific reports are underway for several of the other experiments, which we hope will provide further information to policymakers and the public about the operations and effects of those experiments based on the data we collected over the course of the experiments. We trust that this biennial report, along with the information already provided to the public, will provide valuable information that will help us reset the Department's work going forward so as to better optimize its value.

The Department has launched many experiments in recent years that provided value to students and/or institutions, and that may help inform policymakers considering similar policy changes. However, to better inform such policy changes going forward, we are committed to ensuring high-quality, rigorous evaluations of the experiments the Department undertakes. Our actions over the last 18 months demonstrate our commitment to implementing these principles for future experiments, and to producing the required reports (along with other research we are able to conduct with the data we collected) in the future.

Finding 1. The Department Is Not Complying with ESI Reporting Requirements

FSA's Response: FSA agrees with the OIG's finding.

Recommendation 1.1:

Ensure that reporting on each of the ongoing experiments conducted under the ESI, as well as those that have been completed or discontinued that have not yet been reported on, is completed and submitted to the Congressional authorizing committees at least every 2 years, as required by Section 487A(b)(2) of the HEA.

FSA's Response to Recommendation 1.1: FSA agrees with this recommendation. By December 31, 2022 the Department will ensure that it publishes and provides to the Congressional authorizing committees a comprehensive report on the ESI that addresses the status of each active experiment for which the Department continues to perform analysis, or for which the Department has published a final evaluation report since the last comprehensive report. This comprehensive report will address all such experiments since the 2010-2011 award year report. Subsequently, the Department will publish annually a similar comprehensive report on the ESI consistent with statutory requirements. We will also publish separate reports detailing the results of the Department's evaluation of each experiment as those results become available.

Recommendation 1.2:

Put in place measures, such as applicable performance agreement standards, to ensure that the individuals responsible for completing these reports and the individuals responsible for submitting these reports are held accountable for doing so.

FSA's Response to Recommendation 1.2: FSA agrees with this recommendation. The Department will establish policies and procedures for the ESI Team to ensure that a comprehensive report is completed on schedule. We will also include responsibilities for ensuring timely completion of such reports in the appropriate individuals' performance evaluations to ensure that team members who are responsible for writing the report are held accountable for its progress.

Thank you for the opportunity to respond to the recommendations outlined in this OIG draft report. We appreciate the time and the effort auditing this issue, as well as the opportunity to comment.

Sincerely,

A black rectangular redaction box covering the signature of Richard Cordray. The text "(b) (6)" is written in red over the redaction.

Richard Cordray
Chief Operating Officer
Federal Student Aid