
Participation, Fiscal Procedures, and Records

The Department allocates FWS funds to schools according to the statutory formulas in section 442 of the Higher Education Act of 1965. Schools must use and maintain FWS funds according to the procedures of the Federal Work-Study Program.

PROGRAM PARTICIPATION AGREEMENT

Program Participation Agreement
Cite
34 CFR 675.8

A school that wants to participate in any Student Financial Assistance (SFA) Program must sign a Program Participation Agreement with the Secretary. (See *Volume 2 - Institutional Eligibility* for more general information about the Program Participation Agreement.)

Under the Program Participation Agreement, schools participating in the Federal Work-Study (FWS) Program must:

- make FWS employment reasonably available, to the extent of available funds, to all eligible students;
- award FWS employment, to the maximum extent practicable, that will complement and reinforce each recipient's educational program or career goals;
- assure that FWS employment may be used to support programs for supportive services to students with disabilities; and
- inform all eligible students of the opportunity to perform community services and consult with local nonprofit, governmental, and community-based organizations to identify those opportunities.

CASH MANAGEMENT

When administering the FWS Program, schools must adhere to the cash management requirements of the General Provisions, which apply to all SFA programs (see volume 2).

Chapter 4 addresses additional procedures for paying FWS students.

ALLOCATION AND REALLOCATION

As discussed in *Volume 4 - Campus-Based Programs Common Provisions*, a school applies for program funds annually through the electronic *Fiscal Operations Report and Application to Participate* (FISAP). The Department allocates funds directly to schools. The allocation for the Federal Perkins Loan Program, the FCC, is the amount of funding the school is authorized to receive from the Department for an award year.

Reduction of Allocation Cite

34 CFR 673.4(d)(3)

If a school returns more than 10% of its FWS allocation for an award year, the school's allocation for the second succeeding award year will be reduced by the dollar amount returned, unless the Department waives this provision. The Department may do so for a specific school if the Department finds that enforcement would be contrary to the interests of the program. The Department considers enforcement to be contrary to the interest of the program only if the school returned more than 10% of its allocation due to circumstances that are beyond the school's control and are not expected to recur.

Reallocation Cite

HEA Section 442(d)

Unexpended funds returned to the Department will be reallocated to an eligible school that used at least 5% of its total FWS allocation to pay students employed as reading tutors of children or performing family literacy activities in family literacy projects in the preceding award year. A school must request the reallocated FWS funds, and the school must have a fair-share shortfall to receive these funds. A school must use all the reallocated funds only to pay students employed in community service jobs.

Requesting Reallocated FWS Funds Cite

Dear Colleague Letter CB-99-17, dated September 1999

USE OF ALLOCATED FUNDS

An approved school may use part of its FWS allocation for the purpose of meeting the costs of the new Work-Colleges Program discussed in the introduction to this volume.

A school may use up to 25% of its FWS allocation and reallocation for an award year to pay the wages of FWS students employed by private for-profit organizations.

Community Service Jobs

A school must use at least 7% of its FWS initial and supplemental allocations for an award year to pay the federal share of wages to students employed in community service jobs unless the Department approves a waiver. The school may request a waiver of the 7% community service requirement in writing. However, the Department will approve a waiver only if it determines that the school has demonstrated that enforcing the requirement would cause hardship for the students at the school.

To request a waiver for the 2001-2002 award year, a school must send a waiver request and any supporting information or documents to the Department by June 29, 2001. The waiver request must be

7% Cite

34 CFR 675.18(g)

signed by an appropriate school official and above the signature, the official must include this statement: "I certify that the information the institution provided in this waiver request is true and accurate to the best of my knowledge. I understand that the information is subject to audit and program review by representatives of the Secretary of Education." If a financial aid administrator has any questions regarding the FWS community service expenditure requirements or waiver procedures, he or she may contact Campus Based Operations at (202) 708-9751.

Waiver Cite

Dear Colleague Letter CB-00-08, dated May 2000

FWS community service expenditures for the 2000-2001 award year will be reported on the FISAP that is due by October 1, 2001, as that FISAP is the one the school will use to report its 2000-2001 FWS Program expenditures.

When a school receives reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community service jobs is the greater of the following two amounts:

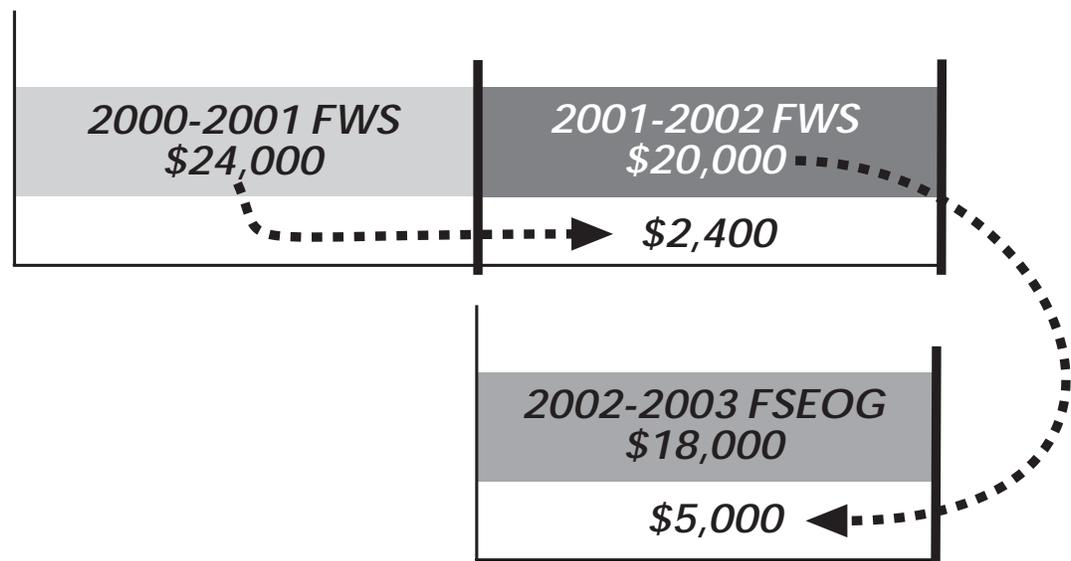
- 7% of the total FWS allocation (initial and supplemental); or
- 100% of the amount of the reallocated FWS funds.

TRANSFER OF FUNDS

Your school may transfer up to 25% of its total FWS allocation (initial and supplemental) to the FSEOG Program. The Department's permission is not required. Note that this total FWS allocation for an award year does not include FWS funds carried forward or carried back into the award year from other award years (see the chart above). The school must report any transfer of FWS funds to FSEOG as an

Transfer of Funds to FSEOG Cite
34 CFR 675.18(e)

Transferring FWS Funds to FSEOG Example



Carry Back/Carry Forward



expenditure on its FWS *Fiscal Operations Report*. However, a school that transfers funds to the FSEOG Program from the FWS Program during an award year must transfer any unexpended FWS funds **back** to the FWS Program at the end of the award year. (The FSEOG regulations prohibit the transfer of funds **from** the FSEOG Program to any other program.)

Carry Forward/Carry Back Cite
 34 CFR 675.18(b)
 34 CFR 675.18(c)

Your school may spend up to 10% of its current year's FWS allocation (initial and supplemental) in the **following** award year (carry forward). Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year.

Your school is also permitted to spend up to 10% of its current year's FWS allocation (initial and supplemental) for expenses incurred in the **previous** award year (carry back).

You may "carry back" funds for summer employment; that is, you may use any portion of your school's initial and supplemental FWS allocations for the current award year to pay student wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year (July 1). For example, a school is authorized to carry back any portion of its funds allocated from the 2001-2002 award year to pay FWS wages for summer employment between May 1, 2001 and June 30, 2001 (including both those dates).

On the FISAP, you must report funds that your school carries back and carries forward. The official allocation letter for a specific award period is the school's authority to exercise these options.

LIMITATIONS ON USE OF FUNDS CARRIED FORWARD OR BACK

Schools are not permitted to add funds that are carried forward or back to the total FWS allocation for an award year when determining the maximum percentage of available funds that may be used in that award year for any of the purposes listed below:

- the transferring of FWS funds to FSEOG;

- providing the federal share of wages in private for-profit sector jobs; or
- the JLD Program.

For example, for the 2001-2002 award year, a school may not add to the 2001-2002 total FWS allocation any FWS funds carried forward from 2000-2001 or carried back from 2002-2003 when determining the maximum percentage of available funds that may be used in 2001-2002 for the purposes listed above. The maximum amount usable for each of the three purposes listed in the previous paragraph is the appropriate percentage of a school's total 2001-2002 original FWS allocation plus any supplemental 2001-2002 FWS allocation.

FEDERAL SHARE LIMITATION

The federal share of FWS wages paid to a student may not exceed 75%, with the following exceptions:

- The federal share of FWS wages paid to a student employed by a **private for-profit** organization may not exceed 50%.
- The FWS regulations authorize a 100% federal share of FWS wages paid to a student who is employed as a reading tutor for preschool age children or elementary school children, a mathematics tutor for children in elementary school through ninth grade, or is performing family literacy activities in a family literacy project that provides services to families with preschool age children or elementary school children. The work performed by the student must be for the school itself, for a federal, state or local agency, or for a private nonprofit organization. A school is not required to ask the Department for a waiver of the FWS nonfederal share requirement to receive the 100% federal share authorization for an FWS student employed in one of these jobs. Instead, the school should use 100% federal dollars to pay such a student and then show on its FISAP that it did so. A discussion of employing FWS students as tutors and in family literacy projects is in chapter 5 of this volume.
- The Department may authorize a federal share of 100% of FWS wages at schools designated as eligible schools under the Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Strengthening Historically Black Graduate Institutions Program. The work performed by the student must be for the school itself, for a federal, state, or local public agency, or for a private nonprofit organization. Your school is considered to have applied for a waiver if your school is designated as an eligible school and your school submits a complete FISAP by the established deadline. Such schools will receive a letter from the Department indicating that they have been granted a waiver of the FWS nonfederal share requirement. (For more information,

Federal Shares Cites

Federal Share Limitation

34 CFR 675.26(a)(1)

Private For-Profit Organizations

34 CFR 675.26(a)(3)

Reading Tutor and Family Literacy Projects

34 CFR 675.26(d)

Strengthening Institutions

34 CFR 675.26(d)

90% Federal Share

34 CFR 675.26(a)(3)

Restrictions Cite

34 CFR 675.26(b)

JLD Cite

34 CFR 675.33(b)

see pages 3-10 to 3-11 of **The Blue Book**, published February 2001.)

- The FWS regulations authorize a school to pay a federal share of FWS wages to a student in excess of the current 75% limit but not exceeding 90% under the following specific conditions:
 - The student is employed at a private nonprofit organization or a federal, state, or local public agency. (Employment at the school itself is not eligible.)
 - The school does not own, operate, or control the agency. To satisfy this requirement, your school must keep a statement in the school's file, signed by both the agency and the school, stating that they have no such relationship.
 - The school selects the agency on an individual, case-by-case basis. This requirement is satisfied when the school selects the agency through its normal process of selecting potential employers.
 - The agency must be unable to pay the regular nonfederal share. To satisfy this requirement, the school must keep in its file a signed letter from an official of the agency stating that the agency cannot afford to pay the regular nonfederal share.
 - The 90% nonfederal share level is limited to no more than 10% of the students paid under the FWS Program. For purposes of this calculation, the school must use the total number of FWS students paid during the current award year. The 10% limit on the number of students paid at the 90% nonfederal share level does not include students whose FWS wages have been exempted from the full nonfederal share requirement due to being employed as a reading tutor, mathematics tutor, or performing family literacy activities.

The federal share of FWS wages paid to a student may be lower than 75% if the employer chooses to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment.

The federal share may **not** be used to provide fringe benefits such as sick leave, vacation pay, or holiday pay or employer's contributions to Social Security, Workers' Compensation, retirement, or any other welfare or insurance program. These restrictions on the federal share apply even when the Department authorizes a federal share of 100% of FWS wages.

The federal share limitation does not affect federal agencies that want to enter an off-campus FWS job agreement. They may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

The federal share of allowable costs in carrying out the JLD Program may not exceed 80% of such costs. (See chapter 6 of this volume.)

NONFEDERAL SHARE

The nonfederal share of a student's FWS wages must be at least 25% each award year, except in the cases listed above. (See previous section.)

Non-federal Share Cite
34 CFR 675.27

Your school may use any resource available to pay its share of FWS compensation except federal funds allocated under the FWS Program. The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. However, if a student is employed by a private, for-profit organization, that organization must provide the nonfederal share.

Your school may also pay the institutional share with noncash contributions (see chapter 4). If the school's noncash contribution is less than the remaining 25%, the school must make up the difference in cash.

If the Department grants an institutional-share waiver to a school that is designated as an eligible school under the Strengthening Institutions Program, the Strengthening Historically Black Colleges and Universities Program, or the Strengthening Historically Black Graduate Institutions Program, that school has the **option** of providing an institutional share and determining the amount of the share. However, the institutional share requirements for employment provided by a private for-profit organization (50% federal-share limitation) or for the administration of the JLD Program (80% federal-share limitation) are never waived.

If a school receives more money under an employment agreement with an off-campus agency than the sum of (1) required employer costs, (2) the school's nonfederal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

Excess Funds Cite
34 CFR 675.26(c)

- use it to reduce the federal share on a dollar-for-dollar basis;
- hold it in trust for off-campus employment during the next award year; or
- refund it to the off-campus employer.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

OFF-CAMPUS AGREEMENTS

Off-Campus Agreements Cite
34 CFR 675.20(b)

If your school would like an off-campus organization to employ FWS students, your school must enter into a written agreement—a contract—with the off-campus organization. The school must make sure the off-campus organization is a reliable agency with professional direction and staff and that the work to be performed is consistent with the purpose of the FWS Program. (See Appendix B at the end of this chapter for a model off-campus agreement. The sample need not be followed exactly but serves as a guide.)

The agreement should specify what share of student compensation and other costs will be paid by the off-campus organization. For-profit organizations **must** pay the nonfederal share of student earnings. Any off-campus organization **may** pay:

- the nonfederal share of student earnings;
- required employer costs, such as the employer's share of Social Security or Workers' Compensation; and
- the school's administrative costs not already paid from its ACA.

The agreement sets forth the FWS work conditions and establishes whether the school or the off-campus organization will be the employer for such purposes as hiring, firing and paying the student. The employer is generally considered to be the entity that will control and direct the work of the FWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, the school is ultimately responsible for making sure that payment for work performed is properly documented and that each student's work is properly supervised.

The agreement should define whether the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students' wages, or whether the school will pay the students and bill the off-campus organization for its contribution. The school must make up any payments the off-campus organization does not make. It is the school's responsibility to ensure that FWS payments are properly documented, even if the off-campus organization does the payroll. To fulfill that responsibility, the school must keep copies of time sheets and payroll vouchers and keeps evidence that the students were actually paid (usually copies of the canceled checks or receipts signed by the students). (Payroll records are discussed in detail later in this chapter.)

The school is also responsible for ensuring that each student's work is properly supervised. School officials should periodically visit each off-campus organization with which they have an off-campus agreement to determine whether students are doing appropriate work and whether the terms of the agreement are being fulfilled.

The agreement must state whether the school or off-campus organization is liable for any on-the-job injuries to the student. The employer is not automatically liable. Federal FWS funds cannot be used to pay an injured student's hospital expenses.

In determining whether to continue an off-campus agreement, many schools have found it helpful to require that students submit a formal evaluation of their work experience at the end of the assignment. The school may also use the evaluation to help off-campus agencies improve their work programs.

Staff members of the off-campus organization must become acquainted with a school's financial aid and student employment programs to better understand the school's educational objectives. The school must supply the off-campus organization with this information.

ADMINISTRATIVE COST ALLOWANCE (ACA)

A school participating in the FWS Program is entitled to an ACA if it provides FWS employment to its student in that award year. (See volume 4 for additional information.) The allowance may be used to help offset administrative costs such as salaries, furniture, travel, supplies, and equipment.

A school may use up to 10% of the ACA attributable to the school's FWS Program expenditures to pay administrative costs of conducting its community service program. These costs may include the costs of:

- developing mechanisms to ensure the academic quality of a student's experience;
- ensuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and
- collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990, in the planning, development, and administration of these programs.

A school may use a portion of its administrative cost allowance (ACA) to cover the costs of training an FWS tutor. A school may also use a portion of its ACA to cover expenses that are related to employing a student as a tutor with a local school district and that the school may not incur with another organization. If, for example, a

Administrative Costs Cite
34 CFR 673.7(f)

school district requires all employees to undergo a background check and be fingerprinted at a cost of \$40 per employee, the postsecondary school may use a portion of its ACA to cover this cost. The FWS Program does not provide for any additional funds beyond the ACA for technical assistance and training of tutors.

RECORD-KEEPING REQUIREMENTS

Recordkeeping Requirements
Cite
34 CFR 675.19(b)

Schools must adhere to the record-keeping requirements in the General Provisions (see volume 2). Additional requirements specific to the FWS Program follow.

The school must establish and maintain an internal control system of checks and balances that insures that no office can both authorize FWS payments and disburse FWS funds to students.

If the school uses a fiscal agent for FWS funds, that agent may perform only ministerial acts.

Each year the school must submit a *Fiscal Operations Report* and other information the Department requires. The information must be accurate and must be provided on the form and at the time the Department specifies. (See volume 4 for a discussion of the FISAP.)

Payroll Records

In school records, schools must distinguish expenditures for FWS compensation from other institutional expenditures. You should enter FWS compensation on a separate voucher or, if listed on the general payroll voucher, you should group FWS compensation separately from other compensation. If payrolls are handled on automatic data processing equipment, you should identify FWS with a special code.

You must establish and maintain program and fiscal records that are reconciled at least monthly. The records must include:

- a payroll voucher containing sufficient information to support all payroll disbursements;
- a noncash contribution record to document any payment of the school's share of the student's earnings in the form of services and equipment; and
- a certification by the student's supervisor, an official of the school (or off-campus agency) that each student has worked and earned the amount being paid. If the students are paid on an hourly basis, the certification must include or be supported by a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.

Your school may use an electronic certification or a certification through other appropriate means including the option of continuing to have the FWS student's supervisor sign a paper certification.

A school that uses an electronic certification must adopt reasonable safeguards against possible fraud and abuse. The school should provide a secure electronic certification through an electronic payroll system that includes:

- Password protection;
- Password changes at set intervals;
- Access revocation for unsuccessful log-ins;
- User identification and entry-point tracking;
- Random audit surveys with supervisors; and
- Security tests of the code access.

Payroll vouchers must support all payroll disbursements and should provide space for the following information:

- the school's name and address;
- the starting and ending dates of the payroll period;
- the student's name;
- an identification of the student's job;
- the number of hours worked during the pay period;
- the hourly rate of pay for an undergraduate student;
- the hourly rate of pay or salary for a graduate student;
- the student's gross earnings;
- any compensation withheld for federal, state, county, or city taxes, and other deductions;
- any noncash payments;
- the student's net earnings;
- a check number, duplicate receipt, or other payment identification; and
- any overtime earnings (a student may be paid overtime with FWS funds).

Job Descriptions

Each FWS position should have a job description that includes the following:

- the name and address of the student's employer (department, public agency, nonprofit organization),
- the purpose of the student's job,
- the student's duties and responsibilities,
- the job qualifications,
- the job's wage rate or range,
- the length of the student's employment (beginning and ending dates), and
- the name of the student's supervisor.

The job description has several purposes:

- It clearly defines whether the job qualifies under the FWS Program.
- It provides the information needed to explain the position to a student and to help him or her select the type of employment most closely related to his or her educational or career objectives.
- It helps the financial aid administrator, the student, and the supervisor determine the number of hours of work required at the specified wage rate to meet a student's financial need.
- It establishes a written record, for both student and employer, of the job's duties and responsibilities so that there will be no misunderstanding.

If a student is employed with an agency or organization that provides community services, the school should, as with any other FWS position, have a job description that includes the duties and the responsibilities. Schools should use the job description to verify that the job meets the definition of community services in the FWS regulations. (see chapter 5)

Reading and Mathematics Tutors and Family Literacy Activities

Your school must be able to identify the FWS students who performed reading or mathematics tutoring or family literacy activities. You must also be able to provide the job description that demonstrates

that these students worked as reading or mathematic tutors of children or performed family literacy activities in a family literacy project, and you must have records supporting the hours worked and the amount paid to the FWS reading tutors.

