

# Fiscal Procedures & Records

*This chapter addresses fiscal procedures and recordkeeping requirements that are specific to the Campus Based Programs. For information on general fiscal procedures and records requirements for all Federal Student Aid programs, refer to Volume 2 - School Eligibility and Operations, and the current edition of the Blue Book.*

A school applies for and receives program funds directly from the U.S. Department of Education by submitting an application, the Fiscal Operations Report and Application to Participate (FISAP), each award year. The school's financial aid administrator is responsible for ensuring that eligible students at the school receive program funds according to the provisions of the law, the regulations, the Program Participation Agreement (PPA) signed by both the Secretary of Education and the school's chief administrative officer, and other criteria the Department may establish.

## PROGRAM PARTICIPATION AGREEMENT

A school that wants to participate in any Federal Student Aid (FSA) program must sign a PPA with the Department. The school official legally authorized to assume the agreement's obligations on the school's behalf must sign the agreement. The agreement requires the school to submit annually to the Department a report containing information that determines the school's cohort default rate. (For more information on this agreement, see *Volume 2 - School Eligibility and Operations*.)

Under the PPA, the school agrees to use the funds it receives solely for the purposes specified in the regulations for that program and to administer each program in accordance with the Higher Education Act (HEA) of 1965, as amended, and the General Provisions regulations. See volume 2 for General Provisions requirements that apply to all of the FSA programs. Each of the campus-based programs has additional requirements that are part of the PPA and that are specific to the individual program.

### Perkins PPA Requirements

The agreement for the Federal Perkins Loan Program also requires the school to establish and maintain a Fund and to deposit into the Fund:

#### Chapter Highlights

FISAP.....	6-2
Allocation of Funds.....	6-3
Transfer of Funds .....	6-6
Federal/Nonfederal Share.....	6-9
Recordkeeping.....	6-16

#### Program Participation Agreement

34 CFR 675.8

#### FISAP Application

34 CFR 673.3

#### Perkins PPA

34 CFR 674.8

- the Federal Capital Contribution (FCC) the school receives as its federal allocation for the program for each award year (explained later in this chapter);
- the school's matching share—the institution's capital contribution (ICC), discussed on the next page;
- payments the school receives for repayment of loan principal, interest, collection charges, and penalty or late charges on loans from the fund;
- payments the school receives from the federal government for cancellations (such as teacher cancellations) of Perkins Loans and National Direct Student Loans (see chapter 4 of this volume);
- any other earnings on fund assets, including net interest earnings on funds deposited in an interest-bearing account (total interest minus bank charges incurred on the account); and
- proceeds of any short-term no-interest loans the school makes to the fund in anticipation of receipt of its FCC or of loan collections.

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## Federal Work Study PPA

34 CFR 675.8

### *Federal Work-Study PPA Requirements*

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.

## FISAP

### *APPLICATION FOR FUNDS*

To apply for and receive funds from the Department for one or more of the campus-based programs, a school must submit a FISAP each award year. By the 1st of August each year, the Department makes available the next FISAP, which is due the 1st of October the

same year. The Department posts instructions for submitting the FISAP in a Dear Partner Letter at [<http://www.ifap.ed.gov>]. (See box “FISAP on the Web.”) The information reported on the FISAP must be accurate and verifiable.

A school that has applied to participate in the campus-based programs for the first time should submit a FISAP by the deadline even if the school has not been certified to participate in the programs. The Department will calculate a funding level for the school and put the funding on “hold” status until the school has been approved to participate. See “Allocation of Funds” for more information.

### **FISAP ON THE WEB**

Schools must submit the FISAP through the FISAP on the Web, available at [<http://www.cbfishap.sfa.ed.gov>].

Schools may also make corrections to the 2003-2004 Fiscal Operations Report and 2005-2006 Application to Participate via the FISAP on the Web site.

For assistance submitting corrections for years prior to the 2001-2002 Fiscal Operations Report and 2003-2004 Application to Participate or for questions concerning the preparation of the FISAP, schools should contact the Campus-Based Call Center at (877) 801-7168 or CBFOB@ED.GOV. Questions about prior-year data listed on a FISAP should be referred to a FISAP Administrator at the Campus-Based Call Center.

## **ALLOCATION OF FUNDS**

The Department allocates funds for the Campus-Based Programs directly to schools each award year. The allocation (or authorization) for each program is the amount of funding the school is authorized to receive from the Department for an award year. The Department bases the allocation amount on statutory formulas and on the amount of funds appropriated by Congress for the program. A school will not, however, receive an allocation that is in excess of its request. Your school’s initial Perkins allocation (FCC) is based on the amount allocated for the previous award year. Your school’s matching, or ICC share, is one third of the FCC (Perkins) allocation.

### ***Allocation schedule***

If your school submits the FISAP by the 1st of October, the Department provides your school with tentative allocation information in January of the following year and with final allocation information by the 1st of April. The Department posts notification of the

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#### **Allocation of funds**

HEA 462(a)  
34 CFR 673.4

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#### **Campus-Based Programs allocation formula**

Dear Partner Letters CB-99-16 and CB-03-02  
HEA Sections 413D, 442, and 462

availability and calculation methodology used for final award figures in a Dear Partner Letter at [<http://www.ifap.ed.gov>]. Schools obtain their specific award amounts by visiting the Self Service section of the FISAP on the Web site.

Sometimes, the Department calculates a school's final allocations, but does not issue the final allocation by April 1st. We may withhold a school's final allocation if:

- the school lost its eligibility to participate in FSA programs;
- the school is a new applicant for the FSA programs and/or for Campus-Based Programs and hasn't been approved yet; or
- We have not received the FISAP signature/certification form with the required original signature of the school's CEO.

If the reason (s) for holding the school's final allocation is/are resolved, we will release the school's final allocation.

If a school does not use its total allocation of funds for the campus-based programs, the school must release unexpended amounts to the Department. In July, the Department posts a Dear Partner Letter at [<http://www.ifap.ed.gov>] that requests schools to release any previous year funds that they have not expended and offers schools the opportunity to request supplemental FWS funds for community service. The Reallocation Form for schools wishing to return funds or request supplemental FWS funds can be found in the Setup section of the FISAP on the Web site.

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## Reduction of Allocation

34 CFR 673.4(d)(3)

### *Releasing unused funds*

If a school returns more than 10% of its allocated funds for a given award year under any one of the campus-based programs, the Department will reduce the school's allocation for the second succeeding award year by the dollar amount returned unless the Department waives this provision. For example, if the school returns more than 10% of its 2003-2004 allocation, its 2005-2006 allocation will be reduced by the dollar amount returned for 2003-2004.

The Department may waive this provision for a specific school if it 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.

After schools release their unexpended allocations, the Department reallocates the funds to schools that have met the criteria for receiving a supplemental allocation. Criteria for distributing these funds for each program are established in accordance with the HEA and the campus-based program regulations.

For **Perkins**, if you return unexpended funds, the Department reallocates 80% of the returned funds in accordance with 462(i) of the HEA and reallocates 20% in a manner that best carries out the purposes of the Federal Perkins Loan Program. If you return more than 10% of your FCC (Perkins allocation), the Department will reduce the school's FCC for the second succeeding year by the dollar amount returned.

Unexpended FWS 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.

### *Fiscal Operations Report*

The school uses the Fiscal Operations Report portion of the FISAP to report its expenditures under the campus-based programs in the previous award year. (See box "FISAP on the Web.")

The Department provides materials essential for the preparation and submission of the FISAP in a Dear Partner Letter posted in July each year at [<http://www.ifap.ed.gov>].

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#### **Reduction of Allocation**

34 CFR 673.4(d)(3)

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#### **Requesting Waiver of Allocation Reduction**

To request a waiver, a school must submit an explanation of the circumstances with its FISAP. The Department explains the process a school must use to request a waiver for the 2005-2006 award year in the FISAP Instruction Booklet.

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#### **CASH MANAGEMENT**

A school must disburse Campus Based program funds on a payment period basis, with the exception of FWS payments to students. Cash management requirements that apply to all FSA programs are discussed in detail in volume 4.

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## Transfer of funds

34 CFR 674.18(b)

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## Work-colleges funds

A work-college may transfer up to 100 percent of its initial and supplemental Perkins Loan allocations to the Work-Colleges Program. Any unexpended funds must be transferred back to the Federal Perkins Loan Program at the end of the award year.

### **GAPS: Transferred Funds**

Any Perkins funds transferred to FSEOG or FWS must be entered in GAPS as an expenditure against the Perkins program, not the program into which the funds were transferred and used.

## TRANSFER OF CAMPUS BASED FUNDS

### *Perkins Transfer*

Your school may transfer up to a total of 25% of its total Federal Perkins Loan allocation (initial plus supplemental) for an award year to either or both the Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work-Study (FWS) programs.

If your school is a work-college, your school may transfer up to the total Federal Perkins Loan allocation (initial plus supplemental) for an award year to the Work-Colleges Program (see Chapter 2 of this volume for details on the Work Colleges program).

Your school must match any Perkins funds transferred to FSEOG or FWS at the matching rate of that program, but the match doesn't have to be made until the transfer has occurred.

You must award transferred Perkins funds according to the requirements of the program to which they are transferred.

You must report any transfer of Perkins funds on the Fiscal Operations Report portion of the FISAP.

A school that transfers funds to the FWS, FSEOG, and/or Work-Colleges programs must transfer any unexpended funds **back** to the Federal Perkins Loan Program at the end of the award year.

A school's future allocations for all programs are not affected by past transferring of funds between programs.

### *Federal Work Study Transfer*

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. (Your school's total FWS allocation does not include funds carried forward or carried back from other award years. See chart on next page.)

Your school must match any FWS funds transferred to FSEOG at the matching rate of the FSEOG program, but the match doesn't have to be made until the transfer has occurred.

You must award transferred FWS funds according to the requirements of the FSEOG Program.

You must report any transfer of FWS funds on the Fiscal Operations Report portion of the FISAP.

A school that transfers FWS funds to the FSEOG Program must transfer any unexpended funds **back** to the FWS Program at the end of the award year.

### Transfer to the FSEOG Program

Your school may transfer up to 25% of its total FWS and Perkins allocation (initial and supplemental) to the FSEOG Program. The Department’s permission is not required. (Your school’s total FWS allocation does not include funds carried forward or carried back from other award years. The HEA prohibits the transfer of FSEOG funds to any other program.

Your school must match any FWS funds transferred to FSEOG at the matching rate of that program, but the match doesn’t have to be made until the transfer has occurred.

You must award transferred FWS funds according to the requirements of the FSEOG Program.

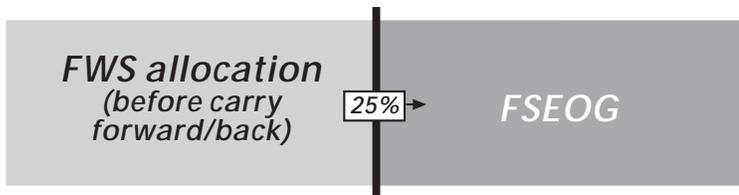
You must report any transfer of FWS funds on the Fiscal Operations Report portion of the FISAP.

**Transfer of funds to FSEOG cite**  
34 CFR 675.18(e)

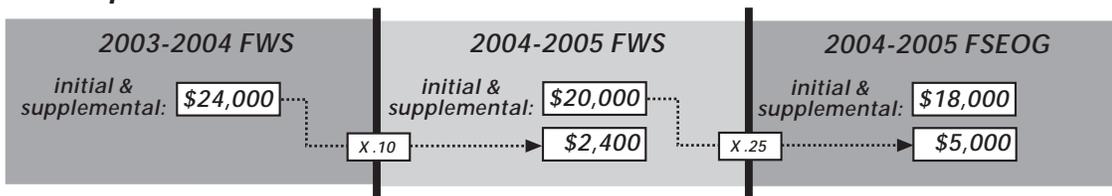
#### GAPS: Transferred Funds

Any FWS funds transferred to FSEOG must be entered in GAPS as an expenditure against the FWS program, not the FSEOG program.

### Transfer from FWS to FSEOG



#### Example



**GAPS: Funds Carried Forward/Back**

Any FWS funds carried forward or carried back between award years must be entered in GAPS as an expenditure against the FWS authorization for the award year from which the funds were taken, not the authorization for the award year in which the funds were used.

**CARRY FORWARD/CARRY BACK**

Your school may spend up to 10% of its current year’s FWS or FSEOG 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 or FSEOG 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 or FSEOG 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). This summer carry back authority is in addition to the authority to carry back 10% of the current year’s FSEOG allocation for use during the previous award year.

**Carry forward/carry back**

34 CFR 675.18(b)  
34 CFR 675.18(c)

On the FISAP, you must report funds that your school carries back and carries forward. For example, if a school carried forward 10% of its FWS 2003-2004 allocation to be spent in 2004-2005, the school must report this amount on the October 2004 FISAP, in Part V of the Fiscal Operations Report for 2003-2004.

The official allocation letter for a specific award period is the school’s authority to exercise these options. A school may not carry forward or back FWS funds to any award year in which there is no specific FWS allocation.

Your school must match funds carried forward or carried back in the year that they are spent.

A school’s future program allocation is not affected by carrying forward or carrying back funds between award years.

**Carry Back/Carry Forward**



## FWS 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 following purposes (see next page):

- the transferring of FWS funds to FSEOG;
- providing the federal share of wages in private for-profit sector jobs; or
- the Job Location and Development (JLD) Program.

For example, for the 2004-2005 award year, a school may not add to the 2004-2005 total FWS allocation any FWS funds carried forward from 2003-2004 or carried back from 2005-2006 when determining the maximum percentage of available funds that may be used in 2004-2005 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 2004-2005 original FWS allocation plus any supplemental 2004-2005 FWS allocation.

## FEDERAL SHARE LIMITATION

### Federal Work Study

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 34

### 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)(2)

#### Restrictions cite

34 CFR 675.26(b)

#### JLD cite

34 CFR 675.33(b)

<b>Part 606 ▶</b>
Developing Hispanic-Serving Institutions Program
<b>Part 607 ▶</b>
Strengthening Institutions Program
American Indian Tribally Controlled Colleges and Universities Program
Alaska Native and Native Hawaiian-Serving Institutions Program
<b>Part 608 ▶</b>
Strengthening Historically Black Colleges and Universities Program
<b>Part 609 ▶</b>
Strengthening Historically Black Graduate Institutions Program

### Wages from Federal Agency

The portion of the FWS wages contributed as the institutional share by a federal off-campus agency are not considered part of the "federal share." Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

CFR parts 606, 607, 608 or 609 (see chart). 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 of the nonfederal share requirement 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, see pages 3-10 to 3-11 of **The Blue Book**, published February 2001.)

If your school files a FISAP on behalf of two or more separately eligible school locations, but not all of these locations are eligible, you must file a separate FISAP for any locations that are not eligible. Only those locations that are eligible will receive a waiver of the nonfederal share requirement.

- 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% federal share 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 with the 90% federal share 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 of allowable costs in carrying out the JLD Program may not exceed 80% of such costs. (See chapter 6 of this volume.)

### **FSEOG Federal Share**

The federal share of FSEOGs made by a school may not exceed 75% of the total FSEOGs. The school must contribute a nonfederal share (also called "institutional share") of 25%. However, the Department may waive the nonfederal share requirement and may authorize for an award year a federal share of 100% to a school that is designated as an eligible school under 34 CFR parts 606, 607, or 608 (see chart). Your school is considered to have applied for a waiver of the nonfederal share requirement 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 nonfederal share requirement. (For more information, see pages 3-10 to 3-11 of **The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Education Institutions for Federally Funded Student Financial Aid Programs**, published June 2001.)

## **NONFEDERAL SHARE**

### **Federal Work Study 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.)

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.

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### **Nonfederal share**

34 CFR 675.27

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 34 CFR parts 606, 607, 608 or 609 (see chart on previous page), 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:

- 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.

### ***FSEOG Nonfederal Share***

The nonfederal share of FSEOGs must be made from the school's own resources. These resources may include:

- institutional scholarships and grants;
- waivers of tuition or fees;
- state scholarships and grants; and
- funds from foundations or other charitable organizations.

The Department has determined that all state scholarships and grants, except for the Leveraging Educational Assistance Partnership (LEAP) (formerly the State Student Incentive Grant [SSIG] Program) and the Special Leveraging Educational Assistance Partnership (SLEAP) programs are eligible funds that may be used to meet the nonfederal share requirement of FSEOGs. LEAP and SLEAP grants, for this purpose, are defined as the federal LEAP and SLEAP allocation plus the minimum required state matching amount. The remaining state grants are not considered LEAP or SLEAP grants.

Dear Partner Letter CB-03-17, issued December 2003, provided a chart showing what percentage of each state's scholarships could be used to provide the nonfederal share of FSEOGs for the 2003-2004 award year. The Department computed the percentages in the chart on the basis of information furnished by the respective states regarding expected expenditures for state scholarships and grants for the 2002-2003 award year, and by using the 2003-2004 LEAP and SLEAP allocation data and required matching information. Each school can apply the appropriate state percentage to the state scholarships and grants its students receive to determine the total amount of state scholarships and grants that may be used to meet the FSEOG nonfederal share requirement.

As a variance from use of the percentages indicated in the chart, if a school has specific knowledge that a state scholarship or grant—irrespective of its name—is considered to be the required state matching portion of a LEAP or SLEAP grant, that scholarship or grant may not be used to meet the FSEOG nonfederal share. Also, if a school has documented knowledge that a state scholarship or grant is not comprised of LEAP or SLEAP monies (federal or state), 100% of the scholarship or grant may be used as the FSEOG nonfederal share.

The nonfederal share requirement of 25% (unless the school qualifies for a waiver) may be met by one of three methods. In the following discussion of these methods, you should note that for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars. Also, by the time the FSEOGs are disbursed (regardless of when in the award period the disbursements are made), the required match must have been accomplished; that is, the school's own resources must have been disbursed before or at the time the federal dollars are disbursed. However, it is important to note that outside resources<sup>1</sup> can be used to match FSEOGs even if the funds are received at a later date, provided that the school has written information about funds that the noninstitutional agency or organization is awarding to the student involved. The written information must be kept on file at the school.

The three methods a school may use to meet its nonfederal share follow:

1. Individual FSEOG recipient basis—the school provides its share to an individual FSEOG recipient together with the federal share; that is, each student's total FSEOG would consist of 25% nonfederal resources and 75% federal dollars for the 2004-2005 award year.
2. Aggregate basis—the school ensures that the sum of all funds awarded to FSEOG recipients in the 2004-2005 award year comprises 75% FSEOG federal funds and 25% nonfederal resources. For example, if a school awards a total of \$60,000 to FSEOG recipients in 2004-2005, it has to

ensure that \$45,000 comes from FSEOG federal funds and \$15,000 comes from nonfederal resources; if there are 100 FSEOG recipients, the entire \$15,000 nonfederal resource requirement can be met by awarding a total of \$15,000 in nonfederal resources to four FSEOG recipients. However, each FSEOG recipient must receive some FSEOG federal funds.

3. Fund-specific basis—the school establishes an “FSEOG fund” into which it deposits FSEOG federal funds and the required 25% nonfederal share. Awards to FSEOG recipients then are made from the fund.

## USE OF FWS ALLOCATED FUNDS

An approved school may use part of its FWS allocation for the purpose of meeting the costs of the Work-Colleges Program discussed in chapter 2.

### Allocation

The term **allocation** always refers to the *original* initial and supplemental allocation your school receives and never refers to an amount remaining after your school carries forward or carries back funds.

Your 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

There are two community service expenditure requirements that a school must meet. First, a school must use at least 7% of its FWS federal allocation for an award year to pay the federal share of wages to students employed in community service jobs for that year. Second, in meeting this 7% community service requirement, one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

A school may request a waiver of either or both of these requirements by providing in writing detailed information to support its waiver request. The waiver request must be received by the deadline that is published annually in the Federal Register. The Department will approve a waiver only if it determines that the school has demonstrated that enforcing the requirements would cause a hardship for students at the school. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, a basis for granting a waiver.

The Department issues a letter annually on the FWS community service waiver process and deadline. To request a waiver for the 2004-2005 award year, a school must submit its waiver request and any supporting information to the Department by April 30, 2004. The waiver request must be signed by an appropriate school official, and above the signature the official must include this statement: “I certify that the information I 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 the U.S.

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### 7% Citation

34 CFR 675.18(g)

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### Waiver request statement

Dear Partner Letter CB-04-05, dated  
March 2004

## COMMUNITY SERVICE APPROVED WAIVER EXAMPLES

### Case Study #1 - Small FWS allocation

The school had a very small FWS allocation. The supporting information submitted by the school noted that 7% of the school's allocation only provided enough funds for a student to work for a short period of time. Therefore, the school was unable to find placement for a student in community service.

### Case Study #2 - Rural area

The school was in a rural area that was located far away from the types of organizations that would normally provide community service jobs. The school provided information that showed that its students lacked the means of transportation to get to the town where the community service jobs were located. In a similar waiver request in which transportation did exist, a school provided documentation that showed that the transportation costs were extremely high for the students.

### Case Study #3 - Specialized program

The school offered only a single program of specialized study that required its students to participate in extensive curriculum and classroom workloads. The school provided information that demonstrated that this specialized educational program prevented the students from performing community service jobs at the time those work opportunities were available.

*These examples are not the only circumstances that may result in approval of a waiver request.*

Department of Education.” If a school official has any questions regarding the FWS community service expenditure requirements or waiver procedures, he or she may contact FSA’s Campus-Based Call Center at 1 (877) 801-7168.

The Department has not specified the circumstances that would allow a school to receive a waiver of the community service requirements in order to allow flexibility for consideration of all factors that may be valid reasons for a waiver. The Department in the past has approved a limited number of waivers of the community service expenditure requirements for schools that have demonstrated that enforcing these requirements would have caused a hardship for their students. (See examples of waiver requests approved by the Department in the box on the facing page.) These examples are not the only circumstances that may result in approval of a waiver request.

FWS community service expenditures for the 2004-2005 award year are reported on the FISAP that is due October 1, 2005. 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: 7% of its total FWS federal allocation for an award year; or 100% of the amount of its reallocated FWS federal funds.

## CAMPUS-BASED RECORDKEEPING

A school must keep financial records that reflect all campus-based program transactions and must keep all records supporting the school's application for campus-based funds. This documentation includes the applications and records of all students who applied for campus-based assistance for a specific award year and were included on the school's FISAP for that award year. The school must also retain applications and records of students who applied for but did not receive aid either because the school had no more funds to award or because the school determined that the student did not need funds. The school must keep general ledger control accounts and related accounts that identify each program transaction and must separate those transactions from all other institutional financial activity. Fiscal records must be reconciled at least monthly.

Your school must make its records readily available for review by the Department or its authorized representative at an institutional location the Department or its representative designates. Generally, a school must keep records relating to the school's administration of a campus-based program or the Federal Pell Grant Program for three years after the end of an award year for which the aid was awarded and disbursed under those programs. There are some exceptions to this requirement:

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### Records readily available for review

34 CFR 668.24(d)

- The school must retain the FISAP containing reported expenditures and any records necessary to support the data contained in the FISAP, including "income grid information," for three years after the end of the award year in which the FISAP is submitted.
- The school must keep repayment records for Perkins Loans, including records relating to cancellation and deferment requests for at least three years from the date a loan is repaid, cancelled, or assigned to the Department. If a loan is assigned to the Department due to total and permanent disability, the school must retain any loan related documentation that it does not submit until the Department approves a final discharge or the loan has been paid in full (Dear Colleague Letter CB-02-08).
- Records questioned in an audit or program review must be kept until the questions are resolved or until the end of the retention period applicable to the records, whichever is later.

In addition to meeting those requirements, a school must meet certain campus-based program recordkeeping requirements. The campus-based records a school must maintain include but are not limited to:

- the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) used to determine a student's eligibility for campus-based program funds;
- application data submitted to the Department or the school on behalf of the student;
- documentation of the payment of any return of Title IV funds or overpayment to the FSA program fund or the Department;
- documentation of the amount of a Perkins Loan, FSEOG or FWS award, its payment period, and the calculations used to determine the amount of the loan, grant, or FWS award;
- documentation of each FSEOG or Perkins Loan disbursement and the date and amount of each payment of FWS wages;
- documentation of the school's calculation of any refunds or overpayments due to or on behalf of the student and the amount, date, and basis of the school's calculation;
- information collected at initial and exit loan counseling required by Perkins Loan regulations; and
- reports and forms used by the school in its participation in a campus-based program, and any records needed to verify data that appear in those reports and forms.

### *Perkins Recordkeeping*

A school must follow the recordkeeping requirements in the General Provisions (discussed in volume 2), those specific to the campus-based programs, and those specific to the Federal Perkins Loan Program. Perkins Loan records a school must maintain include, but are not limited to:

- documentation of each student's eligibility for a Perkins Loan;
- documentation of the amount of a Perkins Loan, its payment period, and the calculations used to determine the amount of the loan;
- documentation of the date and amount of each disbursement of Perkins Loan funds;
- information collected at initial and exit loan counseling required by Perkins Loan regulations.

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#### Records cites

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##### FISAP

34 CFR 668.24(e)(1)(i)

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##### Perkins loans

34 CFR 674.19(e)

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##### Records under question

34 CFR 668.24(e)(3)

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##### Format of records

34 CFR 674.19(e)(4)

34 CFR 668.24(d)

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#### Perkins Recordkeeping

34 CFR 674.19(e)

For each Perkins Loan borrower, a school must also maintain a repayment history that shows:

- the date and amount of each repayment during the life of the loan;
- the amount of each repayment credited to principal, interest, collection costs, and either penalty or late charges;
- the date, nature, and result of each contact with the borrower (or endorser for loans made prior to July 23, 1992) in the collection of an overdue loan; and
- copies of all correspondence to or from the borrower (and endorser for loans made prior to July 23, 1992), except for bills, routine overdue notices, and routine form letters (demand letters, notices of intent to accelerate, and the like are not considered to be routine form letters).

When a loan has been repaid, the school should mark the note with the phrase “paid in full” and the date the loan was paid in full, have the note certified by a school official, and give or mail the original note to the borrower. The school must keep a copy of the note for at least three years after the date the loan is paid in full.

The school must keep the original signed promissory note and repayment schedule in a locked, fireproof container until the loan is repaid in full or until the original note and schedule are needed to enforce loan collection. Only authorized personnel may have access to these records. If a promissory note was signed electronically, you must store it electronically and ensure that it can be retrieved in a coherent format.

If the original promissory note is released for the purpose of enforcing repayment, the school must keep a certified true copy. To qualify as a certified true copy, a photocopy (front and back) of the original promissory note must bear the following certification statement signed by the appropriate school official.

The Department recommends that the school maintain a certified copy of the signed promissory note as well as a record of the full amount owed in its records beyond the three-year record retention requirement.

The following is a sample certification statement that you may adopt:

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## Certification Statement

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*“CERTIFIED TRUE COPY: I declare under penalty of perjury that the foregoing is a true and correct copy of the original Promissory Note.*

*Signature:* \_\_\_\_\_

*Title:* \_\_\_\_\_

*Date:* \_\_\_\_\_”

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### *FWS Recordkeeping*

For schools administering FWS, you must also follow the procedures established in 34 CFR 675.19 for documenting a student’s FWS work, earnings, and payroll transactions. You must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FWS payments and disburse FWS funds to students. If you use a fiscal agent for FWS funds, that agent may perform only ministerial acts.

#### *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. Your school may use an electronic certification process described below. The school may still continue to have the FWS student’s supervisor sign a paper certification. 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.

#### *Electronic certification*

As noted above, a school may use an electronic certification by an FWS student’s supervisor that the student has worked and earned the amount being paid. This electronic certification enables a

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### FWS Recordkeeping

34 CFR 675.19(b)

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### Fiscal Procedures and Records

34 CFR 676.19(b)

school to implement an electronic payroll system for its FWS students.

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*

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 2.)

### *FSEOG Recordkeeping*

In addition to following the fiscal procedures and records requirements mentioned above and in volume 2, a school must meet the following requirements, which are included in the FSEOG regulations:

- A school must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FSEOG payments and disburse FSEOG funds to students.
- A school must establish and maintain program and fiscal records that are reconciled at least monthly.
- Each year a school must submit a FISAP and other information the Department requires. The information must be accurate and must be provided on the form and at the time specified by the Department.

## **Recordkeeping Format**

A school must keep its campus-based program records in one of the following formats:

- Original signed promissory notes and signed repayment schedules for Perkins Loans, National Direct Student Loans or National Defense Student Loans must be kept in a locked fireproof container until the loan is repaid or until the school needs the originals to enforce collection of the loan. If a loan is assigned to the Department, the school must send the original promissory note or a certified copy of the note, as well as a copy of the original deferment or cancellation form(s). The school may not send computer-generated form(s) or microform(s).
- A school may keep other required records in hard copy or in microform, computer file, optical disk, CD-ROM, or other media formats, but all record information must be retrievable in a coherent hard copy format or in other media formats acceptable to the Department except that (1) a student's SAR or ISIR used to determine eligibility for FSA program funds must be kept in the format in which the school received it, unless the school keeps the SAR in an "imaged media format," and (2) any document that contains a signature, seal, certification, or any other image or mark required to validate the authenticity of its information must be kept in its original hard copy or in an "imaged media format."
- Any "imaged media format" used to keep required records must be capable of reproducing an accurate, legible, and complete copy of the original document, and, when printed, this copy must be approximately the same size as the original.

## **PERKINS REIMBURSEMENT & ASSIGNMENT**

The Department may require your school to reimburse its Perkins Loan Fund for any outstanding balance on an overpayment or a defaulted loan for which your school failed to record or retain the promissory note, record disbursements, or exercise due diligence. (Previously, the Department did not have the latitude to waive this requirement.)

Your school must also reimburse the Perkins Loan Fund for the amount of the administrative cost allowance claimed on any reimbursed portion of a loan.

You needn't reimburse the Perkins Loan Fund, if your school can recover the defaulted loan or show that the borrower would not have paid the loan even if your school properly exercised due diligence.

Also, you should not reimburse the Perkins Loan Fund for loans on which your school obtains a judgment.

Your school must assign to FSA Collections all its Perkins and NDSL loans if:

- the school is closing;
- the school is withdrawing from the Federal Perkins Loan Program; or
- the Department is terminating the school's participation in the program.

A loan may be assigned only during the submission period established by the Department.

## ADMINISTRATIVE COST ALLOWANCE

A school participating in the campus-based programs is entitled to an allowance to help offset administrative costs, such as salaries, furniture, travel, supplies, and equipment. The allowance can also be used for service fees that banks charge for maintaining accounts. Computer costs associated with Perkins Loan billing may also be paid from this allowance. Schools may use the allowance to help pay the costs of administering not only the campus-based programs but the Federal Pell Grant Program as well. Administrative costs also cover expenses for carrying out the student consumer information services requirements.

When a school calculates its administrative cost allowance for the 2004-2005 award year, the school is to include in its calculation the full amount of its FSEOG awards—both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% in its FISAP or in the calculation of its administrative cost allowance. If the

### Administrative cost allowance

34 CFR 673.7

### Perkins Assignment

34 CFR 674.50

Dear Colleague Letter CB-02-05

### Assignment address

A school should mail assignments to:

U.S. Department of Education  
Perkins Loan Assignment  
Processing Center  
P.O. Box 4136  
Greenville, TX 75403-4316

### Perkins loan liquidation procedures

Dear Partner Letter CB-00-05, dated May 2000

## Administrative Cost Allowance (ACA) Calculation

*5% of the first \$2,750,000 of a school's expenditures under the campus-based programs*

+

*4% of expenditures greater than \$2,750,000 but less than \$5,500,000 under the campus-based programs*

+

*3% of expenditures greater than \$5,500,000 under the campus-based programs*

Department has granted a school a waiver of its required institutional share for the FSEOG Program or the FWS Program, that school's administrative cost allowance may be calculated only on the full federal portion of its awards for those programs.

The school takes the administrative cost allowance out of the annual authorizations the school receives for the FSEOG and FWS programs and from the available cash on hand in its Perkins Loan fund. It is not a separate allowance sent to the school. A school may draw its allowance from any combination of campus-based programs, or it may take the total allowance from only one program provided there are sufficient funds in that program. However, a school may not draw any part of its allowance from a campus-based program unless the school has disbursed funds to students from that program during the award year.

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### Using ACA to Train FWS Tutor

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 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.

If a school charges any administrative cost allowance against its Perkins Loan fund, it must charge these costs during the same award year in which the expenditures for these costs were made. Your school may use up to 10% of the administrative cost allowance, as calculated above, as attributable to its expenditures under the FWS Program to pay the administrative costs of conducting its program of community service. These costs may include:

- developing mechanisms to assure the academic quality of a student's experience;
- assuring 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

## CERTIFICATIONS A SCHOOL MUST SUBMIT TO THE DEPARTMENT

The Department has incorporated the following form into Part I of the FISAP: Form 80-0013, Certifications Regarding Lobbying; Debarment, Suspension, and Other Responsibility Matters; and Drug-Free Workplace Requirements. The Standard Form LLL, Disclosure of Lobbying Activities, should only be completed if a school expends funds for lobbying activities. The form can be printed from FISAP on the Web. To participate in the campus-based programs each award year, a school's chief executive officer must complete, sign, date, and submit to the Department the above certification forms with the school's completed FISAP by the established deadline. A detailed discussion of the certification requirements is in volume 2.