

In this chapter we discuss the responsibilities of schools, accrediting agencies, states, and the Department for ensuring the integrity of the FSA programs. We present ED's Case Management function, the Quality Assurance Program, the ISIR Analysis Tool, and the Experimental Sites Initiative. We also remind you of a school's responsibilities when its participation in one or more of the FSA programs ends.

STATE AND ACCREDITING AGENCY ROLES

State role

The Higher Education Amendments of 1998, Public Law 105-244 require that each state (through at least one state agency):

- furnish the Department, upon request, with information regarding licensing and other authorization for a school to operate in that state;
- promptly notify the Department of revocations of licensure or authorization; and
- promptly notify the Department of credible evidence that a school has committed fraud in the administration of the FSA programs or has substantially violated a provision of the HEA.

Accrediting agency role

The goal of accreditation is to ensure that education provided by postsecondary educational institutions meets an acceptable level of quality. The Department recognizes agencies that meet established criteria, and such recognition is a sign that an agency has been determined to be a reliable authority on the quality of the institutions or programs the agency accredits.

An accrediting agency can be recognized by the Department for institutional or programmatic accreditation. An institutional accreditation agency accredits an entire institution. A programmatic accrediting agency accredits specific educational programs, departments, or schools within an institution.

Integrity of the HEA Programs cite

Part H of the HEA

State role cite

Sec. 495 of the HEA

The FSA Assessment module

that can assist you in understanding and assessing your compliance with the provisions of this chapter is "Institutional Eligibility," at

<http://ifap.ed.gov/qamodule/InstitutionalEligibility/AssessmentApage3.html>

Accrediting agency role cite

Sec. 496 of the HEA

Criteria used by ED cite

34 CFR 602

Agency standards cite

Sec 496(a)(5) of the HEA
34 CFR 602.16

Information and a complete list of agencies recognized by the Department can be found at

<http://www.ed.gov/admins/finaid/accred/index.html>

An agency must have standards that effectively address the quality of a school or program in the following areas:

- success with respect to student achievement in relation to mission, including, as appropriate, consideration of course completion, state licensing examination, and job placement rates;
- curricula;
- faculty;
- facilities, equipment, and supplies;
- fiscal and administrative capacity as appropriate to the specific scale of operations;
- student support services;
- recruiting and admissions practices, academic calendars, catalogs, publications, grading, and advertising;
- measures of program length and the objectives of the degrees or credentials offered;
- record of student complaints received by, or available to, the agency;
- record of compliance with the school's FSA program responsibilities, based on items such as default rate data and the results of compliance audits and program reviews and any other information that the Department may provide to the agency; and
- any additional accreditation standards the accrediting agency deems appropriate.

There are many additional statutory requirements a national accrediting agency must meet to qualify for recognition. For example, an accreditation agency must –

- apply and enforce standards for accreditation that ensure that the education or training offered by an institution or program, including any offered through correspondence or telecommunications, is of sufficient quality to achieve its stated objectives for the duration of the school's accreditation period;

- perform, at regularly established intervals, on-site inspections and reviews of institutions of higher education (that may include unannounced site visits) with particular focus on educational quality and program effectiveness;
- agree to submit any dispute involving the final denial, withdrawal, or termination of accreditation to *initial* arbitration prior to any other legal action; and
- if it is an institutional accrediting agency, maintain adequate substantive change policies that ensure that any substantive change to the educational mission, program, or programs of an institution after an agency has accredited or preaccredited the institution does not adversely affect the capacity of the institution to continue meeting the agency's standards.

THE DEPARTMENT'S ROLE

One of the Department's functions is to oversee the FSA programs to ensure that they are administered properly. Here we discuss the two major types of oversight activities – audits and program reviews.

Program reviews and audits are conducted to identify procedural problems at the school and recommend solutions. If a school is cited in a program review or audit for improperly disbursing FSA program funds, the school must restore those funds as appropriate.

If a school is cited in a program review or audit for other serious program abuses, the school may be subject to corrective action and sanctions, such as fines, emergency action, or limitation, suspension, or termination discussed later in this chapter.

Your comments are important

The Small Business and Agriculture Regulatory Enforcement Ombudsman and 10 Regional Fairness Boards were established to receive comments from small businesses about federal agency enforcement actions. The Ombudsman annually will evaluate the enforcement activities and rate each agency's responsiveness to small business. If you wish to comment on the enforcement actions of the Department of Education, call 1-888-REG-Fair (1-888-734-3247).

FSA AUDIT REQUIREMENTS FOR SCHOOLS

Audit requirements for schools cite

Sec. 487(c)(A)(1) of the HEA
34 CFR 668.23(a)(1)
34 CFR 668.23(a)(5)

Independent auditor

An independent auditor or government auditor, except that a government auditor must meet the Government Auditing Standards qualification and independence standard, including standards related to organizational independence.

A school that participates in any FSA program, including participating foreign schools, generally must have an independent auditor conduct, at least once a year, an audit of the school's compliance with the laws and regulations that are applicable to the FSA programs in which the school participates (a *compliance audit*), and an audit of the school's financial statements (a *financial statement audit*).

While a compliance audit covers the school's administration of the FSA programs, a financial statement audit provides the Department with information necessary to evaluate a school's status vis-a-vis the financial standards (see chapter 11).

The type of compliance audit a school or servicer must undergo depends on its method of control: public, for-profit, or nonprofit. All for-profit schools must comply with the audit requirement by having an FSA compliance audit conducted under the criteria of the Department's FSA Audit Guide, *Audit Guide, Audits of Federal Student Aid Programs at Participating Institutions and Institutions Services*. Public and nonprofit schools must comply with the Single Audit Act. The Single Audit Act requires these schools to have an audit conducted in accordance with the Office of Management and Budget's (OMB) Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. (Circular A-133 allows an FSA compliance audit under the criteria of the Department's Audit Guide under limited circumstances.)

The Office of Inspector General (OIG) also conducts audits, usually in cases where there is concern over a school's administration of the FSA programs. An OIG or other federal audit does not satisfy the requirement that a school have annual compliance and financial statement audits performed by an IPA.

Simultaneous FSA audit submissions

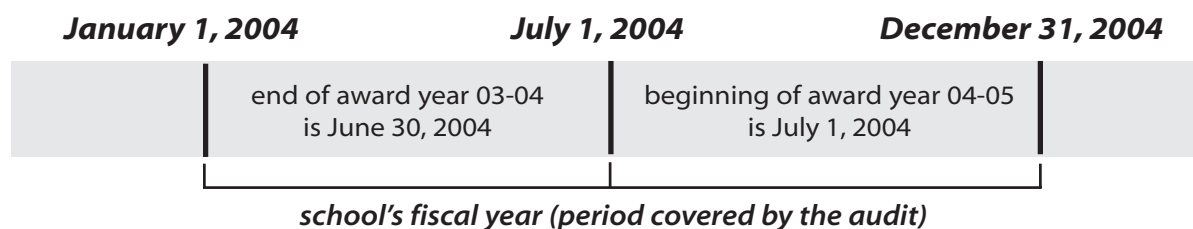
A school that has an audit performed under the FSA Audit Guide must submit **both** the compliance audit and the audited financial statements within six months of the end of the school's fiscal year. Both the compliance audit and the financial statement audit must be performed on a fiscal-year basis. In addition, both audits must be prepared by an independent public accountant (IPA) in accordance with the Generally Accepted Accounting Principles (GAAP) and audited in accordance with the Generally Accepted Government Auditing Standards (GAGAS). The compliance audit and financial statement audit may be performed by different auditors. However, the audits must be submitted as one package.

Audit submission cite

34 CFR 668.23(a)(4)

The compliance audit of a school that has a fiscal year that does not coincide with an award year will cover parts of two award years (see examples).

Fiscal Year Not Equal to Award Year Example



The definition of an independent auditor makes clear that the compliance and financial statements audits submitted under these regulations must be performed by IPAs or by government auditors who meet certain governmental standards.

Waivers of the FSA audit requirement

A school may request a waiver of the annual audit requirement if it disburses less than \$200,000 dollars a year in FSA program funds. If such a waiver is approved, the school must submit a compliance audit (covering each individual fiscal year in the waiver period) and a financial statement audit (for the last year of the waiver period) at the end of the waiver period.

The regulations do **not** waive the requirement that a school audit its administration of the FSA programs; they waive the requirement that these audits be submitted on an annual basis. Therefore, if a school is granted a waiver for three years, when the waiver period expires and the school must submit its next compliance audit, that audit must cover the institution's administration of the FSA programs since the end of the period covered by its last submitted compliance audit. In that audit, the auditor must audit, and attest to, the institution's annual 90/10 determination for the waived period.

To qualify for a waiver, a school must demonstrate that it –

- is not a foreign school;
- disbursed less than \$200,000 in FSA program funds during each of the two completed award years prior to the audit period;

Waiver cite

34 CFR 668.27(c)

90/10 Disclosure

At the end of the waiver period, **for each individual year in the waiver period** (in accordance with 34 CFR 668.23(d)(4)), the auditor for a proprietary school must disclose whether the school met the 90/10 requirement of 34 CFR 600.5 and the conditions of institutional eligibility in 34 CFR 600.7 and 34 CFR 600.8(e)(2).

The school must also submit a financial statement audit for the last year of the waiver period.

- agrees to keep records relating to each award year in the unaudited period for two years after the end of the regular record retention period for the award year;
- has participated in the FSA programs under the same ownership for at least three award years preceding the school's waiver request;
- is financially responsible under the general requirements of financial responsibility, and does not rely on the alternative standards and requirements of exceptions to participate in the FSA programs;
- is not receiving funds under the reimbursement or cash monitoring system of payment;
- has not been the subject of a limitation, suspension, fine or termination proceeding, or emergency action initiated by the Department or a guaranty agency in the three years preceding the school's waiver request;
- has submitted its compliance audits and audited financial statements for the previous two fiscal years, and no individual audit disclosed liabilities in excess of \$10,000; and
- submits a letter of credit in the amount as determined below, which must remain in effect until the Department has resolved the audit covering the award years subject to the waiver.

For purposes of this section, the letter of credit amount is 10% of the total FSA program funds the school disbursed to or on behalf of its students during the award year preceding the school's waiver request.

The Department rescinds a waiver if the school:

- disburses \$200,000 or more of FSA program funds for an award year;
- undergoes a change in ownership that results in a change of control; or
- becomes the subject of an emergency action or a limitation suspension, fine, or termination action initiated by the Department or a guaranty agency.

This exception to the annual audit requirement may not be granted for the award year preceding a school's required recertification.

If the Department grants the waiver, the school does not have to submit its compliance or audited financial statement until six months after

- the end of the third fiscal year following the fiscal year for which the school last submitted a compliance audit and audited financial statement; or

- the end of the second fiscal year following the fiscal year for which the school last submitted compliance and financial statement audits if the award year in which the school will apply for recertification is part of the third fiscal year.

Examples of Effects of Waivers

Example 1: The school is still required to have its administration of the FSA programs audited for the waiver period. If a school is granted a waiver for three years, when the waiver period expires, the next audit must cover the school's administration of the FSA programs since the end of the period covered by its last submitted compliance audit. For example, if a school's fiscal year coincides with an award year (July 1 – June 30). It submits a compliance audit for its fiscal year that ends on June 30, 2002, and then receives a waiver so that its next compliance audit is due six months after the end of its 2004-2005 fiscal year. When it submits that audit, it must cover the 2002-2003, 2003-2004, and 2004-2005 fiscal years.

Example 2: If a school's fiscal year is based on an award year (July 1 – June 30), and the school requests a waiver on May 1, 2002, that waiver request may include its 2001-2002 fiscal year (July 1, 2001 through June 30, 2002) plus its 2002-2003 and 2003-2004 fiscal years. If the school's fiscal year was a calendar year, the school's waiver request could include its calendar 2002 fiscal year plus its 2003 and 2004 fiscal years.

An institution's waiver request may include the fiscal year in which that request is made, plus the next two fiscal years. That request may not include an already completed fiscal year.

A school remains liable for repaying any FSA program funds it improperly expends during the waiver period. A compliance audit is the vehicle for discovering improper expenditures. Therefore, a school will be required to pay any liabilities when the school eventually submits a compliance audit for the fiscal years in which it made improper expenditures.

Submission dates for FSA audits

A school's or servicer's (discussed under *Audits for third-party servicers*) annual compliance and financial statements audits performed under the FSA Audit Guide must be based upon the fiscal year and submitted to the Department within six months after the end of the school's or servicer's fiscal year. (These requirements do not apply to audits performed under the Single Audit Act that are due as specified in OMB Circular A-133.)

Submission dates cite

34 CFR 668.23(a)(4)

The following chart lists audit due dates and the period the audit must cover for audits due in 2005 and 2006. (The chart provides information for the most common institutional fiscal-year-end dates.)

Generally, a school’s first audit performed under these requirements must cover the entire period of time since the school began to participate in the FSA programs. Each subsequent audit must cover the period since the end of the period covered by the preceding audit that is accepted by the Department.

Audit Submission Due Dates for 2005 and 2006

<i>School's fiscal year end date</i>	<i>Both audits due</i>	<i>Period audited (financial and compliance)</i>	<i>School's fiscal year end date</i>	<i>Both audits due</i>	<i>Period audited (financial and compliance)</i>
September 30, 2004	March 31, 2005	October 1, 2003 through September 30, 2004	September 30, 2005	March 31, 2006	October 1, 2004 through September 30, 2005
December 31, 2004	June 30, 2005	January 1, 2004 through December 31, 2004	December 31, 2005	June 30, 2006	January 1, 2005 through December 31, 2005
March 31, 2005	September 30, 2005	April 1, 2004 through March 31, 2005	March 31, 2006	September 30, 2006	April 1, 2005 through March 31, 2006
June 30, 2005	December 31, 2005	July 1, 2004 through June 30, 2005	June 30, 2006	December 31, 2006	July 1, 2005 through June 30, 2006

FSA Compliance audit submission requirements

Compliance audits must be conducted in accordance with:

- the general standards and the standards for compliance audits contained in the U.S. General Accountability Office’s (GAO’s) Government Auditing Standards; and
- applicable audit guides from the Department’s Office of the Inspector General.

In conducting an audit, a for-profit school or servicer and its auditor should use the Department of Education’s latest FSA Audit Guide, the accounting and recordkeeping manual for the FSA programs (known as The Blue Book), and the *GAPS Users Guide*, as applicable.

The FSA Audit Guide is available on the Internet at:
<http://www.ed.gov/about/offices/list/oig/nonfed/sfa.html>

The Gaps Users Guide is available at
<http://gapsweb.ed.gov>

The independent auditor or auditing firm the school or servicer uses for its required nonfederal audit may be the same one that usually audits the school's or servicer's fiscal transactions. To produce unbiased conclusions, the auditor must be independent of those authorizing the expenditure of FSA program funds.

The Department may require a school to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the Department of Veterans Affairs, or accrediting agencies.

FSA Audited financial statement requirements

A school's audited financial statement must cover the school's most recently completed fiscal year. The Department uses the information in a school's audited financial statement to evaluate the school's status vis-a-vis the financial standards (see chapter 11). In addition to a school's audited financial statement, the Department may require that the school submit additional information. For example, the Department may require a school to submit or provide access to the accountant's work papers. Also, if the Department finds it necessary to evaluate a particular school's financial condition, the Department can require a school to submit audited financial statements more frequently than once a year.

Financial statements must be prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP), and audited by an independent auditor in accordance with GAGAS and other guidance contained in OMB Circular A-133, or in audit guides from the Department's Office of the Inspector General, as applicable.

FSA Consolidated statements

In some cases, a school's relationship with another entity may cause the Department to require a school to submit additional financial statements both of the school and the entity, such as audited consolidated financial statements; audited full consolidated financial statements; audited combined financial statements; or, under certain circumstances, audited financial statements of one or more related parties. This occurs when the Department determines that the activities or financial health of another entity may impact upon the school's total financial health. So that the Department can make this determination, a school must include in its audited financial statements a detailed description of related entities based on the definition of a related entity in the Statement of Financial Accounting Standards (SFAS) 57. In addition, the description must include all related parties and a level of detail that would enable the Department to readily identify the related party. This information may include, but is not limited to, the name, location, and description of the related entity, including the nature and amount of any transaction between the related party and the school, financial or otherwise, regardless of when it occurred.

90/10 Rule cite

34 CFR 600.5 and
34 CFR 668.23(d)(4)

Circular A-133 is titled "Audits of States, Local Governments, and Nonprofit Organizations" and is applicable to nonprofit postsecondary schools, states, local governments, and Indian tribal governments. For many schools, this is a combined audit of all the federal programs at that school. OMB circular A-133 is available through the OMB Home Page at

<http://www.whitehouse.gov/omb/circulars/index.html>

or by calling OMB's Publication Office at

(202) 395-3080.

Required disclosure of 90/10 revenue test

A proprietary school must disclose the percentage of its revenues derived from the FSA programs that the school received during the fiscal year covered by the audit as a footnote to its audited financial statements. The calculation of this percentage and the funds included must be arrived at using the **cash basis of accounting**. A school that converts from a *for-profit* to a *nonprofit* status must report its compliance with the 90/10 revenue test for the first year after its conversion. Guidance on footnote disclosures can be found in the FSA Audit Guide, in 34 CFR 600.5, and in appropriate accounting references. Information regarding the calculation of this percentage (the *90/10 Rule*) is found in chapter 1.

A-133 audit guidelines

In lieu of audits performed under the FSA Audit Guide, some schools are required to have audits performed under the guidelines of the Single Audit Act (chapter 75 of Title 31, U.S.C.). Audits performed under the Single Audit Act satisfy the Department's audit requirements.

Audits performed under the Single Audit Act have distinct auditing and submission requirements. A school submitting an audit under the guidelines of the Single Audit Act must use the submission deadlines established by the Single Audit Act.

Under the requirements of Circular A-133, a school that expends less than \$500,000 of federal funds during a fiscal year is exempt from submitting an annual A-133 audit. (The former criteria of \$300,000 was increased for fiscal years ending after December 31, 2003.) However, if that school has compiled, reviewed, or prepared an audited financial statement for any purpose for that fiscal year, the school must submit that financial statement to the Department.

Circular A-133 permits the submission of program-specific audits if an entity expends funds in only one federal program **and** the program's regulations do not require a financial statement audit. The FSA program regulations require a financial statement audit. Therefore, **a school may not submit a program-specific audit to satisfy the Department's audit submission requirements.**

Circular A-133 also now allows an independent auditor to use professional judgment to determine whether certain federal programs must be included in the scope of an audit. An independent auditor can exclude certain program components, such as FSA program funds, if they fall below a predetermined dollar and risk threshold.

The independent auditor must make an annual assessment of the dollar and risk conditions, determine whether such exclusions are appropriate, and whether any FSA programs must be included within the scope of the audit. You can find additional information on this topic in the latest *Compliance Supplement* to Circular A-133.

Audits for third-party servicers

There are also annual audited financial statements and compliance audit requirements for third-party servicers. A third-party servicer must submit an annual compliance audit. However, if a servicer contracts with only one FSA school and that school's own audit sufficiently covers the functions performed by the servicer, the servicer does not have to submit a compliance audit. If a servicer contracts with several FSA schools, a single compliance audit can be performed that covers its administrative services for all schools. A servicer must submit its compliance audit within six months after the last day of the servicer's fiscal year. The Department may require a servicer to provide a copy of its compliance audit report to guaranty agencies, lenders, state agencies, the Department of Veterans Affairs, or accrediting agencies.

In addition to submitting a compliance audit, a servicer that enters into a contract with a lender or guaranty agency to administer any aspect of the lender's or guaranty agency's programs must submit annually audited financial statements. The financial statements must be prepared on an **accrual basis** in accordance with GAAP and audited by an independent auditor in accordance with GAGAS and any other guidance contained in audit guides issued by the Department's Office of the Inspector General.

If the Department determines that, based on audit findings and responses, a third-party servicer owes a liability for its administration of the FSA programs, the servicer must notify each school that it contracts with of the liability. Generally, unless they submit an appeal, schools and servicers owing liabilities must repay those liabilities within 45 days of being notified by the Department.

A school may never use a third-party servicer's audit in place of its own required audit, because the school is ultimately liable for its own violations as well as those incurred by its third-party servicers. (See chapter 3 for more information on third-party servicers.)

Third party servicers cite

34 CFR 668.23(a)(3) and (c)
34 CFR 668.23(d)(5)

Guidance for audits of third-party servicers is found in the January 2000 Department of Education's "Audit Guide, Audits of Federal Student Aid Programs at Participating Institutions and Institution Servicers."

Having the audit performed

The school or servicer must make its program and fiscal records, as well as individual student records, available to the auditor. (Required recordkeeping is discussed in chapter 9.) Both the financial aid and business offices should be aware of the dates the auditors will be at the school, and make sure that someone is on hand to provide requested documents and answer questions during that period.

At the end of the on-site review, the auditor conducts an exit interview. At a school, this exit interview is usually conducted with the personnel from the school's financial aid and other relevant offices. The exit interview is not only an opportunity for the auditor to suggest improvements in procedures, but it also gives the school or servicer a chance to discuss the draft report and review any discrepancies cited in the report. The exit interview is a good time to resolve any disagreements before the final report is prepared.

The final report is prepared by the auditor and submitted to the school or servicer.

eZ-Audit

eZ-Audit is the web-based application, launched by the Department on April 1, 2003. It provides a paperless single point of submission for financial statements and audits (i.e., compliance reports). eZ-Audit provides automatic error checking as you enter the data and before submission. In addition, it gives you instant acknowledgment of receipt.

Since June 16, 2003, all schools that participate in the Federal Student Aid Programs have been required to submit financial statements and compliance audits to FSA electronically through the eZ-Audit process (including copies of the A-133 reports that non profit and public institutions file with the Federal Audit Clearinghouse).

Non profit and public institutions are still required to submit their A-133 audits in writing to the Federal Clearinghouse.

Applicability

This requirement applies to any compliance audits or financial statements required under 34 CFR 600.20(a) or (b) to begin or continue participating in the FSA programs, any financial statements required due to a change in ownership resulting in a change in control as provided under 34 CFR 600.20(g), any compliance audits and financial statements required annually under 34 CFR 668.23, and any compliance audits and financial statements required when a school ceases to participate in the FSA programs as provided under 34 CFR 668.26(b).

Non profit and public institutions submit their A-133 audits to the Federal Clearinghouse at—

**Federal Audit Clearinghouse
Bureau of the Census
1201 East 10th Street
Jeffersonville, Indiana 47132**

The eZ-Audit process

To access the eZ-Audit Web site you must be a registered user. Each school must select an *eZ-Audit Institution Administrator* who will be responsible for managing your school's access to the eZ-Audit Web site. This Institution Administrator will receive the user name and password necessary for your school's access, and will be responsible for granting access to others you name as additional users.

Each registered user must sign and retain the eZ-Audit Rules of Behavior. (For registration instructions and to download the *Rules of Behavior* please visit <http://ezaudit.ed.gov>).

Once you have obtained your school ID, you will access the appropriate page on the audit-Audit Web site, and —

1. enter general information about your school's compliance audit and financial statement;
2. enter specific financial data directly from its audited financial statement; and
3. attach authentic electronic copies of the audit originals.

After you have entered the required information, you must attach a copy of the audit prepared and signed by the independent auditor. The copy must be in a PDF, non-editable format created using Adobe Acrobat version 5.0 or higher.

Review of FSA audit submissions

For an audit performed under the Department's FSA Audit Guide, the Department reviews the audit report for format, completeness, and to ensure that it complies with the government's auditing standards.

We will use the general information to make an initial determination of whether the audits are materially complete and conducted in accordance with applicable accounting standards. Based on the financial data, we will also make a preliminary determination as to whether your school is financially responsible with respect to the financial responsibility ratios, or in the case of a change in ownership resulting in a change in control, whether the school satisfies the financial ratio requirements under 34 CFR 668.15. Later, the Department will review submissions to determine whether the school must provide additional information or ED should take further action.

Based on the audit findings and the school's or servicer's written explanation, the Department will determine if any funds were spent improperly. Unless the school or servicer has properly appealed the decision, the school or servicer must repay any improperly spent funds within 45 days.

Information about eZ-audit

You can find everything you need to know about it on IFAP at

<http://ifap.ed.gov>

and

<http://ezaudit.ed.gov>

A Step-by-Step Users Manual is available online and on IFAP. If you have questions, please send an email to

fsaezaudit@ed.gov

or call the eZ-Audit Help Desk at

877-263-0780.

Schools and school servicers submit their audits and any required Corrective Action Plan (CAP) to the Department's Data Management and Analysis Division through eZ-Audit.

If your school finds that it cannot use the eZ-Audit system, it may be asked to send a written copy of its audit and financial statements to

**U.S. Department of Education
School Eligibility Channel
Data Management and Analysis
Division
Document Receipt and Control
Center
830 First Street, NE
Room 71-I-1
Washington, DC 20002- 5042**

ACCESS TO RECORDS

Access includes the right to copy records (including computer records), to examine computer programs and data, and to interview employees without the presence of management or the presence of the school's or a servicer's tape recorder.

Access and examination cite

34 CFR 668.24(f)

Once the audit is complete, the school or servicer must give the Department and the OIG access to all records and documents needed to review the audit. A school that uses a third-party servicer must give the Department and the OIG access to all records and documents needed to review a third-party servicer's compliance or financial statement audit. In addition, the school's or servicer's contract with the auditor must specify that the auditor will give the Department and the OIG access to the records and documents related to the audit, including work papers. Cooperation includes providing timely and reasonable access to records (including computer records) for examination and copying, and to personnel for the purpose of obtaining relevant information.



Reminder

Throughout the audit process, and for other examinations such as program reviews and state reviews, the school or servicer is required to cooperate fully with its independent auditor, the Department and its Inspector General, the Comptroller General of the United States, the appropriate guaranty agency and accrediting agency.

PROGRAM REVIEWS

The Department conducts program reviews to identify possible problems in a school's FSA administration. A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as the school's compliance with the specific program requirements for student eligibility and awards. However, program reviews tend to focus more on regulatory requirements that are specific to the FSA programs. For example, the program review team will examine student records and admissions and records, fund requests and transfers, records pertaining to due diligence. ED will base penalties arising from a program review on the seriousness of the violations.

Program Reviews

The Department gives priority in program reviews to schools that meet criteria specified in the law as follows —

- a school has a cohort default rate in excess of 25% or a rate that places the school in the highest 25% of such schools;
- a school has a default rate in dollar volume that places the school in the highest 25% of such schools;
- a school has a *significant* fluctuation in Federal Stafford Loan volume, Direct Stafford Loan volume, or Federal Pell Grant awards, that is not accounted for by changes in the programs (significant fluctuations in amounts of aid received by schools are those that do not relate to programmatic changes and added Direct Loans to the list of programs);
- a school is reported to have deficiencies or financial aid problems by the appropriate state agency or accrediting agency;
- a school has high annual dropout rates; and
- it is determined by the Department that the school may pose a significant risk of failing to comply with the administrative capability or financial responsibility requirements.

In addition, the Department is required to:

- establish guidelines designed to ensure uniformity of practice in the conduct of program reviews;
- make copies of all review guidelines and procedures available to all participating schools;
- permit schools to correct administrative, accounting, or recordkeeping errors if the errors are not part of a pattern and there is no evidence of fraud or misconduct; and
- inform the appropriate state and accrediting agency whenever it takes action against a school.

Administrative subpoena authority

The Amendments of 1998 give the Department the authority to issue administrative subpoenas to assist in conducting investigations of possible violations of the provisions of FSA programs. In addition, the law authorizes the Department to request the Attorney General to invoke the assistance of any court of the United States for purposes of enforcing a subpoena if necessary

Administrative subpoena authority cite

Sec. 490A of the HEA

Unannounced Program Reviews

Occasionally, it may be necessary for Department officials to perform an unannounced program review. The General Provisions regulations stipulate that Department officials provide a school with a written request for a program review, but do not preclude the Department from providing such a request at the time the reviewers arrive at the school.

In an unannounced program review, the Department reviewers will present a written request to school officials before beginning the review. The school is expected to have its records organized and readily available, without objection to providing access to those records. However, because certain school officials may not be immediately available during the review, the school may be afforded additional time to submit information required in the review. The Department has regulatory authority to take an emergency action if a school denies access to the reviewers performing an unannounced program review. (See discussion under *emergency action*.) School officials will be informed if an emergency action is to be taken.

Written report

After the Department performs a program review of a school, the program review team prepares a written report that will be sent to the school within approximately 60 days of the review. The school may respond to this report if it wishes to offer additional information to support its position or if it disagrees with any of the report's conclusions. When the Department has fully considered the school's response and any additional documentation provided by the school, the Department will send a copy of the final program review determination to the school.

APPEALING AUDIT AND PROGRAM REVIEW DETERMINATIONS

The law allows for appeals of final audit or program review determinations. Note that only a final determination may be appealed. The letter conveying a final audit determination is clearly identified as a *Final Audit Determination Letter* (FADL) and explains the appeals procedures. For a program review, the final determination letter is marked *Final Program Review Determination Letter* (FPRD).

If a school or servicer wants to appeal an audit or program review determination, it must appeal, in writing, to the Departmental official identified in the FPRD within 45 days. If the school or servicer makes such a request, the determination will be reviewed by an impartial hearing official appointed by the Department. In most cases, an oral hearing will not be required. The school or servicer and the Department must submit briefs with any accompanying materials to the official, and provide the other party with a copy of its submission at the same time. If the final decision is appealed by either party, the Department will review it.

Appeals cite

34 CFR 668.34, Subpart H

If the hearing official (or the Secretary) finds that the school or servicer improperly expended funds or otherwise failed to comply with applicable program rules and requirements, the Department will collect the liability owed, if any. The school or servicer must repay the funds within 45 days of the Department's notification of the liability, unless the Department grants an extension. At its option, the Department may elect to use an administrative offset to collect the funds owed.

REVIEWS CONDUCTED BY GUARANTY AGENCIES

The FFEL Program regulations require guaranty agencies to conduct program reviews at postsecondary schools. A guaranty agency must conduct biennial (once every two years) on-site reviews of **at least all schools** for which it is the principal guaranty agency *that have a cohort default rate for either of the two preceding fiscal years that exceeds 20%*. Schools that the Department requires to take specific default reduction measures and schools where the total amount of loans entering repayment in each of those fiscal years does not exceed \$100,000 are exempted. Alternatively, a guaranty agency may use its own criteria to select schools for the biennial on-site reviews if the Department approves the agency's proposed alternative selection methodology. A program review conducted by a guaranty agency is similar to a Department program review, consisting of an entrance interview, a review of student records, an exit interview, and a written report. However, the guaranty agency's review will focus on how the school meets FFEL-specific requirements, such as –

- certification of the loan application;
- maintenance of records supporting the student's loan eligibility;
- processing procedures and payment of loan monies; and
- prompt lender notification when the student changes enrollment status, such as complete withdrawal.

Two copies of the guaranty agency's report are forwarded to the Department, including the school's payment if liabilities were assessed.

CASE MANAGEMENT

Case management is the Department's approach to oversight of schools that participate in the FSA programs. School Participation Management conducts program reviews, reviews compliance audits and financial statements and provides the Department with a picture of a school's overall compliance through the use of School Participation Teams.

FSA's School Eligibility Channel (SEC) coordinates the case management approach. School Participation Teams are staffed by personnel in the regions and in Washington, DC, and each is assigned a portfolio of schools. Each team is responsible for oversight functions for the schools in its portfolio. These functions include audit resolution, program reviews, financial statement analysis, and recertification. There are Institutional Improvement Specialists for each School Participation Team. Institutional Improvement Specialists are responsible for improving compliance by offering targeted technical assistance and presentations on important FSA topics.

Each school is assigned a case manager who leads the team in its evaluation of that school. The entire team will evaluate information on the school from a variety of sources to identify any compliance issues at the school. The team can then assess potential risk to the FSA programs and determine appropriate action. Once appropriate actions are decided upon, the case manager assigned to the school ensures that the recommended actions are taken.

School Participation Teams will collect and review information on a school from many sources including, but not limited to

- applications for recertification,
- financial and compliance audits,
- state agencies,
- accrediting agencies and licensing boards,
- student complaints, and
- Department databases.

Possible actions

A School Participation Team may decide to take actions that include, but are not limited to

- reviewing recertification or awarding only provisional certification;
- initiating a program review;
- establishing liabilities;
- developing a strategy for providing technical assistance,
- transferring the school to the reimbursement payment method (see *Volume 4 – Processing Aid and Managing FSA Funds*);
- requiring a letter of credit; and
- referring the school for an enforcement action.

Actions do not always have to be negative. For example, the School Participation Team can recommend a school for participation in the Quality Assurance Program.

The Department will use a system of risk analysis as well as other tools to identify schools with the greatest need for oversight. The Department will use analysis by various Department data systems to generate a risk score for a school. This will enable the Department to target resources to those schools that present the highest risk to the government.

Case management provides the additional benefit of permitting a school to contact one team that will have all information on the school available in one place. (For a list of phone numbers for the regional School Participation Teams, see the chart at the end of this chapter.)

CORRECTIVE ACTIONS AND SANCTIONS

Sanctions

For details on steps that a school should follow in any of these situations, see Subpart G of the General Provisions regulations and Section 600.41 of the Institutional Eligibility regulations.

Sanctions include emergency actions, fines, limitations, suspensions, and terminations.

The Department will sanction any school that:

- violates the law or regulations governing the FSA programs, its PPA, or any agreement made under the law or regulations; or
- substantially misrepresents the nature of its educational programs, its financial charges, or its graduates' employability. For details on misrepresentation, see chapter 6.

Similarly, the Department may also sanction a third-party servicer that performs functions related to the FSA programs. Further, the Department has the authority to sanction a group of schools or servicers if it finds that a person or entity with substantial control over all schools or servicers within the group has violated any of the FSA program requirements or has been suspended or debarred from program participation. (See chapters 1 and 3.)

Actions due to program violations or misrepresentation

If a school has violated the FSA program regulations, the Department may allow the school to respond to the problem and indicate how it will correct it. If this informal approach fails to correct the situation, or if the school has repeatedly violated the law or regulations, the Department may take an emergency action, fine the school, or initiate a limitation, suspension, or termination of FSA program participation.

In addition, the Department has the authority to terminate a school or program that no longer meets the eligibility criteria given in chapter 1.

Emergency action

The Department may take an emergency action to withhold FSA program funds from a school or its students if the Department receives information, determined by a Department official to be reliable, that the school is violating applicable laws, regulations, special arrangements, agreements, or limitations. To take an emergency action, the Department official must determine that:

- The school is misusing federal funds.
- Immediate action is necessary to stop this misuse.
- The potential loss outweighs the importance of using established procedures for limitation, suspension, and termination.

The school is notified by registered mail (or other expeditious means) of the emergency action and the reasons for it. The action becomes effective on the date the notice is mailed.

An emergency action suspends the school's participation in all FSA programs and prohibits the school from disbursing FSA program funds or certifying FFEL applications. The action may not last more than 30 days unless a limitation, suspension, or termination proceeding is initiated during that period. In that case, the emergency action is extended until the proceeding, including any appeal, is concluded. The school is given an opportunity to *show cause* that the action is unwarranted.

Fine

The Department may fine a school up to \$27,500 for each statutory or regulatory violation. (The Department first notifies the school of its intent to fine so the school can, if it chooses, request a hearing.) If the school is found guilty of any violations, it may appeal to the Department for a compromise on the amount of the fines imposed at the hearing. In determining the amount owed by the school, the Department will consider the school's size and the seriousness of its violation or misrepresentation.

Limitation

Under a limitation, a school agrees to abide by certain specific conditions or restrictions as it administers FSA program funds; by doing so, it is allowed to continue participating in the FSA programs. A limitation lasts for at least 12 months. If the school fails to abide by the limitation's conditions, a termination proceeding may be initiated.

Suspension

A suspension removes a school from participation in the FSA programs for a period not to exceed 60 days (unless a limitation or termination proceeding has begun). A suspension action is used when a school can be expected to correct an FSA program violation in a short time.

Corrective action

As part of any fine, limitation, or suspension proceeding, the Department may require a school to take corrective action. This may include making payments to eligible students from its own funds or repaying illegally used funds to the Department. In addition, the Department may offset any funds to be repaid against any benefits or claims due the school.

Termination

A termination ends a school's participation in the FSA programs. A school that has violated the law or regulations governing the FSA programs, its PPA, or any other agreement made under FSA regulations and was terminated from participating in the FSA

programs generally may not apply to be reinstated for 18 months. A school that substantially misrepresented the nature of its educational programs, its financial charges, or the employability of its graduates may not be reinstated for at least three months.

Possibility of reinstatement

A school requesting reinstatement in the FSA programs must submit a fully completed E-App to the Department and demonstrate that it meets the standards in Subpart B of the General Provisions. As part of the reinstatement process, the school must show that it has corrected the violation(s) on which its termination was based, including repaying all funds (to the Department or to the eligible recipients) that were improperly received, disbursed, caused to be disbursed, or withheld. The Department may approve the request, deny the request, or approve the request subject to limitations (such as granting the school provisional certification). If the Department approves the reinstatement request, the school will receive a new ECAR and enter into a new PPA.

Criminal penalties

The law provides that any person who knowingly and willfully embezzles, misapplies, steals, obtains by fraud, false statement, or forgery, or fails to refund any funds, assets, or property provided or insured under Title IV of the Higher Education Act, or *attempts* to commit any of these crimes will be fined up to \$20,000 or imprisoned for up to five years, or both. If the amount of funds involved in the crime is \$200 or less, the penalties are fines up to \$5,000 or imprisonment up to one year, or both.

Any person who knowingly and willfully makes false statements, furnishes false information, or conceals material information in connection with the assignment of an FSA program loan or attempts to do so, will, upon conviction, be fined up to \$10,000 or imprisoned for up to one year, or both.

Any person who knowingly and willfully makes, or attempts to make, an unlawful payment to an eligible lender of loans as an inducement to make, or to acquire by assignment, a loan insured under such part will, upon conviction, be fined up to \$10,000 or imprisoned for up to one year, or both.

Any person who knowingly and willfully destroys or conceals, or attempts to destroy or conceal, any record relating to the provision of FSA program assistance with intent to defraud the United States or to prevent the United States from enforcing any right obtained by subrogation under this part, will, upon conviction, be fined up to \$20,000 or imprisoned up to five years, or both.

Criminal penalties cite

Sec. 490 of the HEA

REQUIREMENTS WHEN A SCHOOL CEASES TO BE AN ELIGIBLE INSTITUTION

A school loses its eligibility to participate in the FSA programs when it no longer meets the requirements of 34 CFR Part 600, certain requirements of Part 668, or when the Department terminates the school under Subpart G of the General Provisions.

In general, a school that ceases to be eligible must notify the School Eligibility Channel within 30 days of its loss of eligibility to participate in the FSA programs. Requirements for notifying the Department are in 34 CFR 600.40.

Loss of accreditation

When a school loses its institution-wide accreditation, the Department generally may not certify or recertify that school to participate in any FSA program for two years after the school has had its accreditation withdrawn, revoked, or otherwise terminated for cause or after a school has voluntarily withdrawn under a *show cause* or suspension order. If a school wishes to be reinstated, it must submit a fully completed E-App to the Department.

The Department will not recertify a school that has lost its institution-wide accreditation in the previous two years unless the original accrediting agency rescinds its decision to terminate the school's accreditation. In addition, if a school voluntarily withdrew from accreditation during the last two years under a *show cause* or suspension order, the Department will not recertify the school unless the original order is rescinded by the accrediting agency. Finally, a school may not be recertified on the basis of accreditation granted by a different accrediting agency during the two-year period.

There are two exceptions to the *two-year* rule.

1. If the Department determines that loss of institution-wide accreditation was due to the school's religious mission or affiliation, the school can remain certified for up to 18 months while it obtains alternative accreditation.
2. If a school's institution-wide accrediting agency loses its Department recognition, the school has up to 18 months to obtain new accreditation.

Note that it is possible for accreditation to be withdrawn from one of the programs at a school without affecting the accreditation (and eligibility) of other programs at the school.

If an additional location or branch of an institution closes and borrowers who attended the school obtain loan discharges by reason of the closure of the location or branch (or improper ATB or loan certifications), the Department will pursue recovery against the larger institution, its affiliates, and its principals. (20 USC 1087(c)(1)).

REQUIREMENTS WHEN A SCHOOL'S FSA PARTICIPATION ENDS

A school may stop participating in the FSA programs voluntarily or it may be required to leave involuntarily. In either situation, there are required closeout procedures to follow.

A separate closeout audit is not required if a school closes an additional location or a branch campus because the next due compliance audit for the school must report on the use of FSA program funds at the closed location. However, the school must notify the Department of the additional location or branch closure. See chapter 5 for information on reporting information to the Department.

VOLUNTARY WITHDRAWAL FROM FSA PARTICIPATION

For any number of reasons, a school may voluntarily withdraw from participating in one or all of the FSA programs. For instance, a school might wish to withdraw from the Perkins Loan Program to work on lowering high student-loan cohort default rates. To withdraw from one or all of the FSA programs, the school must notify the Department via the electronic application. For more information on these requirements and procedures, contact the appropriate School Participation Team.

Note: A school that withdrew voluntarily (for instance, to lower its default rate) can request to participate again without the waiting period required for a school that was terminated from the program involuntarily or withdrew voluntarily while under a show-cause or suspension order.

Withdrawing from the FSA programs while under a termination order or other sanction — or to avoid being placed under them — is not considered a voluntary withdrawal.

INVOLUNTARY WITHDRAWAL FROM FSA PARTICIPATION

A school's participation ends in the following circumstances:

- the school closes or stops providing instruction (for a reason other than normal vacation periods or as a result of a natural disaster that directly affects the school or its students);

Note: If the school closes its main campus or stops providing instruction on its main campus, its loss of eligibility includes all its locations and programs.

If a school ceases to provide educational instruction in all FSA programs, the school should make arrangements for its students to complete their academic programs. If the school chooses to enter into a formal teachout arrangement, the school should contact the appropriate School Participation Team for guidance.

- the school loses its accreditation;
- the school loses its state licensure;
- the school loses its eligibility;
- the school's PPA expires;
- the school's participation is terminated under Subpart G;
- the school's provisional certification is revoked by the Department;
- the school's cohort default rate exceeds allowable limits; or
- the school files a petition for bankruptcy or the school, its owner, or its CEO is responsible for a crime involving FSA funds.

When participation ends

When a school's participation in an FSA program ends—for whatever reason—the school must immediately notify the Department and comply with the following minimum requirements:

- within 45 days of the effective ending date of participation, submit to the Department all financial reports, performance reports, and other reports required by each appropriate FSA program regulation, as well as a dated letter of engagement for an audit by an independent public accountant (IPA) of all FSA program funds received. The completed audit report must be submitted to the Department within 45 days after the date of the letter of engagement.
- report to the Department on the arrangements for retaining and storing (for the remainder of the appropriate retention period described in 34 CFR 668.24) all records concerning

the school's management of the appropriate FSA programs. (See chapter 9.)

- tell the Department how the school will provide for collecting any outstanding FSA program student loans held by the school.
- refund students' unearned FSA student assistance. (See *Volume 5 – Overawards, Overpayments, and Withdrawal Calculations.*)

Additional closeout procedures

In addition, a school that closes must refund to the federal government or, following written instructions from the Department, otherwise distribute any unexpended FSA program funds it has received (minus its administrative cost allowance, if applicable). The school must also return to the appropriate lenders any loan proceeds the school received but has not disbursed to students. If the school's participation in the Leveraging Educational Assistance Partnership (LEAP) Program ends, the school must inform the state and follow the state's instructions.

If a school's participation ends during a payment period (or enrollment period for FFEL programs), but the school continues to provide education in the formerly eligible program until the end of the payment or enrollment period, the school may use the FSA program funds in its possession to —

- satisfy unpaid Pell Grant or Campus-Based program commitments made to students for that payment period or for previously completed payment periods before the school's participation ended;

Note: The school may request additional funds from the Department to meet these commitments.

- satisfy any unpaid FFEL commitments made to students for that period of enrollment by delivering subsequent FFEL disbursements to the students or by crediting them to the students' accounts (only if the first disbursement already was delivered or credited before the school's participation ended);
- use the FSA program funds in its possession to satisfy unpaid Direct Loan commitments made to students for that period of enrollment before participation ended by delivering subsequent Direct Loan disbursements to the students or by crediting them to their accounts (if the first disbursement already was delivered or credited to the students' accounts before the school's participation ended).

Note: The school may request additional funds from the Department to fulfill this commitment.

If you need additional information, contact the staff of the Department's appropriate regional office for guidance in fulfilling these requirements and responsibilities.

LOSS OF ELIGIBILITY OR WITHDRAWAL FROM LOAN PROGRAMS

If a school is notified that it has lost its eligibility to participate in the Direct Loan or FFEL programs and the school does not intend to appeal the decision, it must immediately inform all current and *prospective* students of its loss of eligibility. The school must also explain that it can no longer certify Stafford and PLUS loans for students or parents. If the school appeals its loss of eligibility within the required timeframe, the school may continue certifying Stafford and PLUS loans during the appeal process. Once a final decision on the appeal is made, the school must take the actions described in the Department's final appeal determination letter.

A student enrolled at a school that loses eligibility or discontinues participation in the Direct or FFEL programs, can continue to receive interest subsidies if the student enrolls and remains enrolled at an eligible school.

If a school plans to withdraw from participation in the Direct Loan and/or FFEL programs, it must notify the appropriate guaranty agency or agencies (for FFEL schools) and the Department (for schools with either loan program) of its decision in writing. Once the effective date of withdrawal has been established, the school is prohibited from disbursing loan funds to the student. However, if your school made a first disbursement to the student before it lost eligibility, it may still be able to make a subsequent disbursement to that student. (See the conditions in 34 CFR 668.26(d).)

Quality Assurance Program cite

Sec. 487A(a) of the HEA

Schools that are interested in becoming a QA Program participant should contact the QA staff in the School Outreach Division at the following address or Email address —

**U.S. Department of Education
FSA/ASEDS/SSTC/SOD
Union Center Plaza
830 First Street, N.E.
Washington, DC 20202-5232**

qualityassurance@ed.gov

QUALITY ASSURANCE PROGRAM

Under the Quality Assurance (QA) Program, participating schools design and establish a comprehensive quality improvement program to increase award accuracy and strengthen their administration and delivery of the FSA programs and services. Its mission is to help schools attain, sustain, and advance exceptional student aid delivery and service excellence.

Schools participating in the QA Program are exempt from certain verification requirements. In exchange, they must develop a school-specific verification program based on data gathered and analyzed from QA Program activities. FSA provides a web-based software application - the *ISIR Analysis Tool* (which is described in detail on the following pages) – to help schools analyze how well their verification procedures are working. All schools can benefit from using this software tool; however, only schools participating in the QA Program receive the verification flexibility.

FSA ASSESSMENTS

The FSA Assessments are intended to help all schools examine and improve operations. The assessments can help you —

The FSA Assessments currently available are —

1. Student Eligibility
2. Awarding Aid
3. Satisfactory Academic Progress
4. FSA Verification
5. Institutional Eligibility
6. Default Management
7. Consumer Information
8. Recertification
9. Change In Ownership
10. Disbursing Aid
11. Reporting & Reconciling
12. Fiscal Management
13. Return of Title IV Funds
14. Perkins Due Diligence
15. Perkins Repayment
16. Perkins Cancellation
17. Perkins Awarding & Disbursement
18. Perkins Forbearance & Deferment
19. Federal Work-Study
20. FSEOG
21. Automation
22. Administrative Capabilities

1. Anticipate and address problems;
2. Spot-check the systems you are using to manage information;
3. Prepare for your audit or other review;
4. Maximize the efficiency of your staff in handling their duties; and
5. Revise your approaches according to your campus needs – and do so continually.

To enhance their effectiveness, the FSA Assessments include activities to test compliance and procedures. They also are linked to the latest regulations, Blue Book, Dear Colleague Letters, Federal Registers, and other related documents. Downloadable Microsoft Word documents include the hyperlinks as well. Those who download any of the FSA Assessments can access all hyperlinks as long as they have an Internet Service Provider.

FSA's partnership with the QA school staff has provided insights into what support from ED is most useful from the financial aid office perspective. Compliance is a requirement, but quality is a choice. For those who are serious about this choice, we provide practical help by making good use of rapidly advancing technology.

ISIR ANALYSIS TOOL

FSA has created an online application called the *ISIR Analysis Tool*. It's a Web-based application that analyzes FAFSA data reported on the ISIR. A school uses the information to fine tune its own institutional verification procedures.

The ISIR Analysis Tool compares initial and paid-on ISIR transactions to determine if changes in student reported information had an impact on EFC and Pell eligibility. Users import *initial* and *paid-on* records from FSA's ISIR Datamart into a database in the ISIR Analysis Tool. Users can construct queries, develop custom formats and field increments to obtain data from the tool that can help identify problematic areas, zeroing in on specific EFC ranges, data elements, and populations. This data can help a school customize its verification procedures and consumer information provided to students and parents. In addition the data can identify sections of the FAFSA that may be most confusing to applicants and their families. Such information can help FSA in the development of future FAFSAs as well as improve verification selection criteria through the Central Processing System.

The ISIR Analysis Tool provides a full complement of report and analytical capabilities utilizing state-of-the-art Web technology. The reports generated and information obtained from the ISIR records can help a school answer the following questions —

- For what group of students (if any) are the CPS edits missing on your campus?
- For what group of students (if any) are discretionary verification procedures missing?
- How can a school effectively develop discretionary verification edits to focus on students making changes that affect EFC and Pell eligibility?

The ISIR Analysis Tool can answer these questions and help a school develop verification criteria that fit its particular population, and ensure that the right students are receiving the right awards.

Assessments online

To find the FSA Assessment Tool online, visit the IFAP Web site at —

<http://www.ifap.ed.gov>

Under "Tools for Schools," select

FSA Assessments

or, you can go through the Schools Portal

<http://fsa4schools.ed.gov>

and select "Self-Assessment Tool"

At the end of each assessment you will find links to

- "Management Enhancements" (for dealing with areas that need improvement) and
- "Effective Practices" (for sharing areas of success with ED and your colleagues)

Tool online

To use the ISIR Analysis Tool, your school must enroll in FAA Access to CPS Online. For more information, please refer to

<http://www.fsawebenroll.ed.gov/>

For additional guidance about using the ISIR Analysis Tool, a school should use the resources available at

<http://ifap.ed.gov/qamodule/guidance.html>

EXPERIMENTAL SITES INITIATIVE

Experimental Sites Initiative cite

Sec. 487A(b) of the HEA

Ten areas of experimentation are being conducted for the 2005-06 award year. They are —

- Alternative entrance loan counseling procedures,
- Alternative exit loan counseling procedures,
- Waiver of multiple disbursement for single term loans,
- Waiver of the 30-day delay for the disbursement of loans to first-time, first-year borrowers,
- The inclusion of loan fees in cost of attendance,
- Loan proration for graduating borrowers,
- Credit of FSA funds to prior term charges,
- Credit of FSA funds to institutional (non-allowable) charges,
- Overaward tolerance and the disbursement of loan funds, and
- Ability to Benefit examinations and the award of FSA aid.

If a school believes that it has a better way to administer aspects of the FSA programs than the way required by statute or regulation, it may apply to be an experimental site. Using its authority under the Higher Education Act the Department has continued to provide exemptions from a variety of FSA statutory and regulatory requirements. During the 2005-06 award year, more than 120 schools have continued to be designated as experimental sites.

This partnership between ED and schools encourages them to develop and test alternative approaches to the current prescriptive requirements. Applying alternatives to meet the requirements spelled out in regulations or law has allowed financial aid offices to streamline procedures and processes, eliminate delays associated with awarding Federal Student Aid, and remove administrative barriers for students and staff. For example, by allowing flexibility in how entrance loan counseling is handled, schools might develop methods that are less administratively prescriptive but more effective in providing loan information.

Schools participating in this initiative are required to report to ED annually on the progress of the experiments. The reports include specific performance data and are submitted on OMB approved report templates describing the results and specific information relating to the performance measure or alternative used in each of the experiments. Schools continue to report outcomes such as —

- improved cash flow for students,
- expedited financial aid delivery, and
- improved student service; more time for financial aid counseling and less time on unnecessary paperwork.

Concurrently, schools can —

- help students remain in school and perform better academically by providing all of their aid at the beginning of the term, when they need it;
- significantly reduce the need for students to borrow short-term loans to meet their financial obligations; and
- realize savings by more efficient use of personnel resources.

This Experiential Sites Initiative is providing results that will help ED reform the administration of the FSA programs. The current experiments will continue to collect performance data until the next reauthorization.

For further information on the Experimental Sites Initiative, please write the School Outreach Division staff at

ExperimentalSites@ed.gov

or visit the Web site at —

<http://www.ed.gov/offices/OSFAP/expsites/index.html>

School Participation Teams

School Participation Management

School Eligibility Channel

The School Eligibility Channel (formerly Case management and Oversight) contains three School Participation Management Divisions. These divisions perform similar functions, and each division is responsible for a separate section of the United States. Each division implements the following school participation team functions: audit resolution, program review, financial statement analysis, and recertification. The three divisions are:

- School Participation Management Division Northeast
- School Participation Management Division Southcentral
- School Participation Management Division Northwest

The division functions are performed by teams headed by an Area Case Director and composed of staff from Washington, D.C. and the region. Each division contains two or more of these teams. Listed below are the teams, their telephone numbers, and the states each team is responsible for.

Team	Telephone #	States Covered
School Participation Management Division Northeast		
Boston Team	617-289-0133	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont
New York Team	646-428-3750	New Jersey, New York, Puerto Rico, and Virgin Islands
Philadelphia Team	215-656-6442	Delaware, Maryland, Pennsylvania, Virginia, W. Virginia, and the District of Columbia
School Participation Management Division Southcentral		
Atlanta Team	404-562-6315	Alabama, Florida, Georgia, Mississippi, North Carolina, and South Carolina
Kansas City Team	816-268-0410	Iowa, Kansas, Kentucky, Missouri, Nebraska, and Tennessee
Dallas Team	214-661-9490	Arkansas, Louisiana, New Mexico, Oklahoma, and Texas
School Participation Management Division Northwest		
Chicago Team	312-886-8767	Illinois, Minnesota, Ohio, and Wisconsin
San Francisco Team	415-556-4295	Arizona, California, Hawaii, Nevada, American Samoa, Guam, Republic of Palau, Republic of the Marshall Islands, Northern Marianas, and the Federated States of Micronesia
Denver Team	303-844-3677	Colorado, Michigan, Montana, North Dakota, South Dakota, Utah, and Wyoming
Seattle Team	206-615-2594	Alaska, Idaho, Oregon, Washington, and Indiana

The School Participation Management Division Northeast is also responsible for certification and monitoring of foreign schools. For information on foreign schools you should contact 202-377-3168.