Administrative Capability

To be certified to participate in the FSA programs, a school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the FSA programs. This chapter discusses the requirements a school must meet to demonstrate its administrative capability.

REQUIRED ELECTRONIC PROCESSES

The regulations require that a school be able to use the FSA electronic processes in order to be considered administratively capable of participating in the FSA programs. Your school may use software provided by the Department, such as *EDConnect* or *EDExpress*, or develop its own software, or rely on a third party software vendor.

Administrative capability cite
34 CFR 668.16

The Technical Specifications Table on the next page lists the minimum configurations required for participating in the Department's electronic processes. When reviewing these updated specifications, a school should be aware that its system requirements (processor speed, RAM, hard drive storage, etc.) will depend on which FSA functions the school uses, the number of records processed, and school database interfaces.

Electronic processes cite
34 CFR 668.16 (o
DC GEN-00-20, November 2000

In order for a school to exchange data with the FSA Systems, it must have Internet access through its network or through an Internet Service Provider. If you use a third-party servicer to manage your student aid activities, you should ensure that the servicer apprises you of all new requirements posted on IFAP.

Migration to the web
Effective October 1, 2002, access to the FISAP and Title IV WAN be available exclusively via the Web.

"IFAP — Information for Financial Aid Professionals" Web site

Program information such as Dear Colleague/Partner letters, announcements, and Federal Registers, previously mailed to participating institutions is now communicated, for the most part, through our IFAP Web site. One of the features of this Web site is its notification service, which makes it possible for you sign up to receive an e-mail summarizing recent postings to IFAP. (Go to "Member Services" on IFAP.)

The IFAP Web site is located at

http://ifap.ed.gov/

Once you've registered and obtained a password, you can register for the notification service under *Subscription Options.*

TECHNICAL SPECIFICATIONS

Hardware:

IBM or fully IBM-compatible PC

800 MHz Pentium Processor or comparable

128 MB RAM

20 GB Hard Drive

56K Analog Modem that meets or is upgraded to V.90 standard

3.5"/1.44 MB Diskette Drive

SVGA Monitor with 800 X 600 resolution

Windows 95 Keyboard

Laser printer capable of printing on standard paper (8 1/2" x 11")

24x CD-ROM Drive with sound board1

32 bit operating system (Windows 98, Windows NT4.0 or Windows 2000)

Software:

Netscape Navigator 4.73 or Explorer 4.01 (service pack2) Web browser

Adobe Acrobat Reader

Other:

Internet Service Provider (ISP)2

Dedicated phone line

FSA SYSTEMS

Schools must have the capability to print *Federal Registers* or other complex documents provided in portable document format (PDF). The software for viewing and printing PDF files can be downloaded onto a school's PC hard drive for free from the Adobe Systems Web site at

http://www.adobe.com/prodindex/acrobat/readstep.html.

Of course, a school may use other software to print these documents.

Submission of the FISAP

The Fiscal Operations Report and Application to Participate (FISAP) must be submitted through the new ECampus-Based Web site.

Pell Grant payment data

Pell Grant payment information must be transmitted to the Recipient Financial Management System (RFMS) through the Student Aid Internet Gateway. Beginning in the 2002-2003 award year, this process will also be available through the Common Origination and Disbursement System.

Direct Loan Records

For the Direct Loan Program, all records are created and submitted electronically.

SSCR data

Student Status Confirmation Report (SSCR) data can be submitted electronically.

Perkins Loan data

Perkins Loan data is submitted electronically.

Submission of the Application to Participate (Recertification) through the Internet

Applications for recertification, reinstatement, or changes in school ownership or structure must be submitted to the Department electronically through the Internet. The Department no longer provides diskettes to schools for submission of the *Application for Approval to Participate in Federal Student Financial Aid Programs.* However, a signature page is required and it must be mailed separately along with all required supporting documentation. Schools need to have access to the World Wide Web using a forms capable Web browser such as Netscape Navigator or Microsoft Internet Explorer. The web address to access the electronic application form is

http://www.eligcert.ed.gov/

Schools must send electronic updates to their application data through the Internet. When a school accesses its application, it will be populated with data from the last recertification. The school changes the necessary data items, and transmits it to the Department for review and acceptance. The application allows for changes in items such as telephone numbers, fax numbers, names on the application, and locations, etc. For more information on applying for participation in the FSA programs or updating application data, see chapter 10.

ADMINISTRATIVE REQUIREMENTS FOR THE FINANCIAL AID OFFICE

Coordinating official

A participating school must designate a capable individual to administer the FSA programs and to coordinate aid from these programs with all other aid received by students attending the school. To properly package and most effectively use the various types of student assistance (federal, school, state, private, etc.), the coordinating official must be aware of all aid received by students attending the school, regardless of the source. When creating a student's financial aid package, in order to ensure that a student's aid does not exceed his or her need, an aid administrator must include aid the student is receiving from external sources as well as institutional aid and FSA program assistance. Therefore, a school's operations must be administered in a way that ensures all the information the school receives that might affect a student's FSA eligibility is communicated to the coordinating official and through that official to the financial aid office.

Consistency of information

The school must have a system of identifying and resolving discrepancies in the FSA-related information received by various school offices. Such a system must include a review of all financial aid and need analysis documents, federal and state income tax forms,

Capable individual defined

An individual is "capable" if he or she is certified by the state in which the school is located, if state certification is required. Other factors affecting capability include the individual's successful completion of FSA Program training provided or approved by the Department, and previous experience and documented success in FSA program administration.

and documents relating to admissions, citizenship, and previous educational experience. For instance, if a student receives veterans benefits through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as a resource for the campus-based programs and estimated financial assistance for the Direct Loan and FFEL programs. As another example, the school's admissions or registrar's office must provide the financial aid office with any information that it has affecting a student's eligibility—the student's enrollment in an ineligible program, for instance, or past educational experience.

OIG Referrals

If the school finds that a student may have engaged in fraud or other criminal misconduct in applying for FSA program funds, it must refer this information to the Department's Office of Inspector General (OIG). Additional information on IG referrals is available in *Volume 1*.

Note: It is always appropriate for a financial aid administrator to consult with a school's legal counsel prior to referring suspected cases of fraud or misconduct to an agency outside of the institution.

Counseling

School must provide adequate financial aid counseling to all enrolled and prospective students and their families. You can find a detailed discussion of financial aid counseling in Volume 1. In addition, schools must also provide entrance and exit counseling for student borrowers in the Perkins, FFEL, and Direct Loan programs. For a complete discussion of loan counseling requirements, see the *Volume 4 — Campus-Based and Common Provisions, Volume 5 — Perkins Loans, Volume 8 — Direct Loan and FFEL Programs*, and the Direct Loan entrance and exit counseling guides.

Adequate staffing

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An *adequate* staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the FSA programs.

Reporting to the OIG
By phoning 800-MISUSED

System of checks and balances

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the FSA programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving FSA funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

Family defined
A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling, or sibling's or child's spouse.

Definition of control cite
34 CFR 600.30(b)

Ownership interest cite
34 CFR 668.15(f)

SATIFSACTORY ACADEMIC PROGRESS

Two requirements for institutional eligibility are directly related to student eligibility: satifsactory academic progress and financial aid history. An eligible school must have a policy and a procedure for measuring the academic progress of its students. A school must have a satiFSActory academic progress policy (SAP) that:

1. for a Title IV recipient, is the same as or more strict than the institution's standards for a student enrolled in the same educational program who is not receiving assistance under a FSA program; and

2. includes the following elements

- a qualitative component measurable against a norm;

- a **quantitative component** that consists of a maximum timeframe in which a student must complete his or her educational program; (For an undergraduate program, the timeframe must be no longer than 150% of the published length of the educational program.)

    Note: The 150% maximum time frame does not apply to graduate programs. However, an eligible school offering graduate programs must develop, disseminate, and consistently apply a policy defining the maximum timeframe graduate students have to complete their programs.

- **specific policies** defining the effect of incomplete course grades, withdrawals, repetitions, and noncredit remedial courses on satiFSActory progress;

SAP cite
34 CFR 668.16(e)

Academic amnesty/renewal
Some schools have Academic Amnesty/Renewal procedures through which a student can apply to have grades earned in previous semesters excluded from the calculation of the student's grade-point average. The FSA program regulations make no provision for the concept of academic amnesty or academic renewal. Though in its academic policies a school may choose to disregard courses previously attempted by a student, if the student's academic goal remains the same, the school must include those courses in evaluating a student's satiFSActory academic progress (SAP). However, a school may consider the circumstances a student documents in support of the student's request for amnesty/renewal as mitigating circumstances in an SAP appeal.

At a school having a written policy that allows for
- course repetitions where only the most recent grade is counted; or

- course repetitions where both credits and grades from previous attempts are deleted, or

- course repetitions where only the highest grade is counted

the school can exclude a grade for a prior attempt when calculating the student's GPA, but it must include the credits from all attempts when calculating the maximum time frame (150%).

- rules for both undergraduate and graduate students who change majors, as well as for students who seek to earn additional degrees;

- **measurement in increments** not to exceed the lesser of one academic year or one-half the published length of the educational program;

- a schedule established by the school designating the **minimum amount of work** that a student must complete at the end of each increment;

- provisions for determining at the end of each increment whether the student has met the qualitative and quantitative components of the standards or exceeded the maximum time frame;

- provisions for **consistent application** of the standards to all students within categories, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;

- specific procedures through which a student may **appeal** a determination that the student is not making satiFSActory progress; and

- specific **procedures** for a student to reestablish that he or she is maintaining satiFSActory progress.

Note: A thorough discussion of applying a satiFSActory academic progress policy to a student's academic history can be found in *Volume 1 — Student Eligibility*.

FINANCIAL AID HISTORY

Financial aid history cite
34 CFR 668.19
DC GEN-01-09, July 2001 (including July 16, 2001 update)

A school must consider a student's financial aid history in making FSA program awards. The regulations require that schools use NSLDS data to obtain information about a student's financial aid history.

You can find a complete discussion of this requirement and the **transfer monitoring process** (Inform, Monitor, Alert) in Volume 1.

DEFAULT RATES

Default rates and suspension cite
34 CFR 668.183 and 668.187

Suspension from Pell participation cite
Sec. 401(j)
34 CFR 668.187(e)

A school is **not** administratively capable when

- the cohort default rate for Perkins Loans made to students for attendance at the school exceeds 15% (see *Volume 5 — Perkins Loans* for details), or

- the cohort default rate for Stafford/SLS loans or for Direct Loans made to students for attendance at the school equals or exceeds 25% for one or more of the three most recent fiscal years or if the most recent cohort default rate is greater than 40% (see *Volume 8 — Direct Loan and FFEL Programs* for details).

In addition to affecting a school's administrative capability and limiting the school's participation in the FSA programs, a high default rate may make a school ineligible to participate in the FFEL, Direct Loan, Federal Pell Grant, or Perkins program or cause the Department to limit, suspend, or terminate a school's participation in the FSA programs. For detailed information on default requirements refer to the Cohort Default Rate Guide that the Department provides to schools.

> **Note:** The Department may provisionally certify a school that would otherwise not be administratively capable solely because of its high default rate.

Default management plan

New schools are required to develop a default management plan prior to certification. In addition, a school that undergoes a change in ownership that results in a change in control or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan.

The Department has developed a sample default management plan. You can find additional information in DC-GEN-01-08, June 2001 on-line at

http://ifap.ed.gov/dpcletters./gen0108.html

Schools applying to participate are exempt from submitting a default management plan if (a) the parent institution and the subordinate institution both have a cohort default rate of 10% or less and (b) the new owner of the parent or subordinate institution does not own, and has not owned, any other school with a cohort default rate over 10%.

For information about the default rate regulations for the Perkins Loan program, see *Volume 5 — Perkins Loans.*

Exemption from default management plan cite
Sec. 487(a)(14)(C)
34 CFR 668.14(b)(15)(B)(ii)

WITHDRAWAL RATES

New schools (schools that seek to participate in an FSA program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.

When calculating the withdrawal rate, all regular, enrolled students must be included. The definition of *enrolled* does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes. A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, or is expelled from the school or receives a

Enrolled
A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school. Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

refund of 100% of his or her tuition and fees. A student who withdraws from one or more courses or programs but does not withdraw entirely from the school, does not meet the definition of *withdrawn*. Instead, this action is considered a change in enrollment status (e.g., the student reduced his credit hours from 12 to 6).

DEBARMENT AND SUSPENSION CERTIFICATION

Debarment of school or its principals

Debarment and suspension cite
Executive Order 12549
Federal Acquisition Regulations
(48 CFR Part 9, Subpart 9.4)
34 CFR Part 85

The federal government imposes debarment and suspension actions against individuals who the government determines constitute a current risk to federal agencies. Before a school may receive Pell Grant or campus-based funding, a school must certify that neither the school nor its employees have been debarred or suspended by a federal agency. You can find this certification is in the Program Participation Agreement and in the Web-based FISAP package available to schools participating in the campus-based programs.

A debarment and suspension action by another agency is equivalent to one imposed by the Department if the agency's procedures include due process protection that is equivalent to the Department's. If the school or its principals have been suspended, debarred, or proposed for debarment by one federal agency, the school is no longer eligible to participate in any FSA program. The principals of the school include the owners, directors, officers, partners, employees, or any other person with primary management or supervisory responsibilities. A principal may also be someone who is not employed by the school but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or campus-based funds).

If a school discovers that a person employed in a primary management or supervisory capacity has been suspended, or debarred by a federal agency, the school must remove that person from such a position or risk losing its FSA eligibility.

Checking prospective employees or contractors

Similar debarment and suspension procedures apply to debarments and suspensions of lenders, third-party servicers or loan servicers under the FFEL programs. To protect itself, a school might ask prospective employees and contractors, either in person or on a written application, about their debarment or suspension histories. A school may also call the Department to find out if an individual or organization is on the Nonprocurement List. The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's FSA eligibility, so long as that person is not involved in any covered transactions. The regulations list the particular transactions from which a debarred or suspended entity is excluded under the FSA programs.

Lower-tier covered transactions

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is $25,000 or more. (The required certification clause is given on page 25 of Dear Colleague letter DC-GEN-89-21.) The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.

Lower-tier transactions
Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency.