FIVE-YEAR PLAN

2006–2010

U.S. Department of Education
Federal Student Aid

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Federal Student Aid

2006–2010 Five-Year Plan

Federal Student Aid, an office of the U.S. Department of Education, ensures that all eligible individuals can benefit from federally funded or federally guaranteed financial assistance for education beyond high school. We consistently champion the promise of postsecondary education to all Americans—and its value to our society.

Dear Federal Student Aid Colleagues, Partners and Customers,

I am pleased to present Federal Student Aid's FY 2006 Five-Year Plan. This document reflects Federal Student Aid's solid progress in meeting our strategic objectives since becoming a Performance-Based Organization. Specifically, the plan addresses our continuing efforts to increase program integrity, improve customer service and achieve measurable results in the management and administration of the Title IV student financial assistance programs (Title IV).

The recent removal of our programs from the Government Accountability Office's (GAO) High-Risk List was a significant accomplishment, a satisfying outcome of our aggressive efforts to strengthen Federal Student Aid's financial condition and to improve the integrity of the federal student financial assistance programs. The business processes we have established to reduce the vulnerability of the Title IV programs to waste, fraud, abuse and mismanagement are central to our future success. They are key to our ongoing operational improvement and central to our strategic planning.

The initial release of Federal Student Aid's Five-Year Plan (FY 2004-2008) was a statement of strategic direction articulating our organization's long-term goals. The FY 2006–2010 Five-Year Plan updates our progress in achieving those objectives, details future initiatives and establishes performance standards for measuring our success. Starting with this edition, Federal Student Aid's Five-Year Plan will be updated at the end of each fiscal year. Each update will include measurable strategic objectives linked to Federal Student Aid's day-to-day business processes and objectives. Our Annual Performance Report will carry this feature a step further, supplying more information on our continuing progress and enumerating concrete accomplishments and quantifiable results.

As our organization continues its progress, we are guided by our commitment to the highest standards of management, financial responsibility and program integrity. We will continue our commitment to ensuring access to postsecondary education for all Americans, with the parallel goal of fostering a deepened awareness of the value of postsecondary education to individuals and to our nation as a whole.

In carrying out our initiatives, we will continue to work closely with the community to communicate our progress clearly and frequently. Our progress is the result of the hard work of the talented and dedicated professionals at Federal Student Aid. The collective efforts of our more than 1,000 employees are critical to ensuring our success in meeting our goals and objectives, and in performing our mission with efficiency and distinction.

Sincerely,

Theresa S. Shaw
Chief Operating Officer

Federal Student Aid

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INTRODUCTION

Federal Student Aid, a principal office of the U.S. Department of Education, ensures that all eligible individuals can benefit from federally funded or federally guaranteed financial assistance for education beyond high school. We consistently champion the promise of postsecondary education and training to all Americans – and its value to our society.

Mission and Organizational Structure

Federal Student Aid plays a central and essential role in the American community of postsecondary education. We partner with postsecondary schools and financial institutions to deliver programs and services that help students finance their education beyond high school. Today, Federal Student Aid is responsible for a range of critical functions that include, among others:

- Processing millions of student financial aid applications;

- Disbursing billions of dollars in aid funds to students through schools;

- Enforcing financial aid rules and regulations;

- Partnering with schools, financial institutions and guaranty agencies to prevent fraud, waste and abuse;

- Educating students and families about the process of obtaining aid;

- Servicing millions of student loan accounts;

- Informing borrowers of their repayment options and obligations and securing repayment from those who have defaulted on their loans; and

- Operating information technology systems and tools that manage billions of student aid dollars.

This is a complex, multifaceted mission that calls on a range of staff skills and demands coordination by all levels of management.

Designated a Performance-Based Organization (PBO) by Congress in 1998, Federal Student Aid emphasizes tangible results and efficient performance, as well as the continuous improvement of the processes and systems that support our mission.

Federal Student Aid currently operates under a functional structure that aligns our organization closely with our strategic drivers, business objectives and mission goals. This structure reinforces a key business goal: efficient and productive interaction with our many stakeholders. This community of stakeholders includes students and parents, schools, lenders and guaranty agencies, as well as other federal entities and the Department of Education ("the Department") itself. The graphic below illustrates the current functional structure of Federal Student Aid.

Federal Student Aid Organizational Structure

	Theresa S. Shaw **Chief Operating Officer**	

Ombudsman	**Policy Liaison & Implementation Staff**

Application, School Eligibility & Delivery Services	Borrower Services	Financial Partners Services	Chief Financial Officer	Chief Information Officer	Enterprise Performance Management Services	Workforce Support Services	Communications Management Services

Chief Operating Officer Theresa S. Shaw, who was appointed to a five-year term by the Secretary of Education in 2002, leads Federal Student Aid. In FY 2005, the organization operated on an annual administrative budget of $631 million. Our staff of nearly 1,050 is augmented by contractors who provide outsourced business operations. This workforce is based at locations throughout the country, including ten regional offices in addition to the Washington, D.C., headquarters.

The map below highlights the locations of Federal Student Aid regional offices by city, with the number of Federal Student Aid employees based at each location indicated in parentheses.

Federal Student Aid Regional Map

SEATTLE (13)
DENVER (17)
KANSAS CITY (24)
CHICAGO (78)
BOSTON (13)
WASHINGTON DC (675)
NEW YORK (28)
PHILADELPHIA (21)
SAN FRANCISCO (61)
ATLANTA (79)
DALLAS (28)
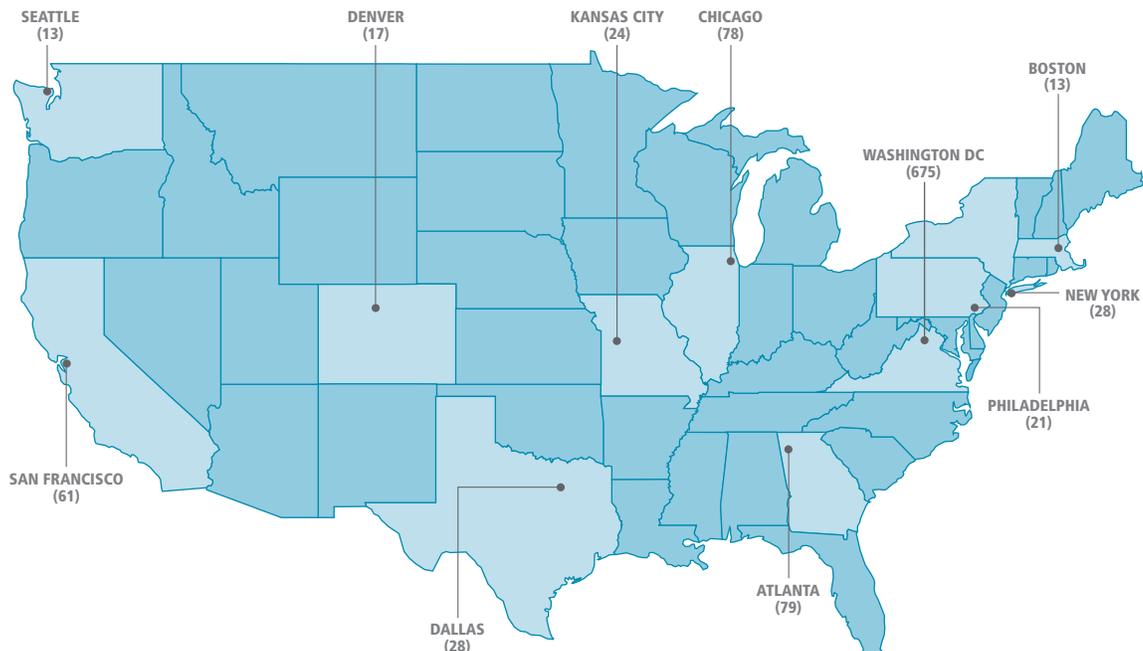
As a federally designated PBO, Federal Student Aid operates under a congressional mandate to achieve concrete mission results as we improve efficiency in performance. Federal Student Aid has focused on innovations for upgrading student aid delivery and servicing operations, vendor and contract management, budgeting and cost control and financial and operational management. Much of the resulting performance improvement will stem from business process reengineering and large-scale technology integration.

INTRODUCTION *continued*

Programs

Federal Student Aid is responsible for helping students manage the costs of education beyond high school. This duty includes administering the federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended. The Title IV programs collectively represent the nation's largest source of financial aid for postsecondary students. In the paragraphs that follow we briefly describe each of the major Title IV programs that deliver federal student aid to students and their families.

The **Federal Pell Grant (Pell Grant) Program** helps ensure financial access to postsecondary education by providing grant aid to low- and middle-income undergraduate students. The most need-focused of the Department's student aid programs, Pell Grant awards vary according to the financial circumstances of students and their families. For the 2004-2005 award year, the Department disbursed $13.1 billion in Pell Grants averaging $2,469 to 5.3 million students. The maximum Pell Grant award remained at $4,050 for the 2004-2005 award year.

The **Federal Supplemental Educational Opportunity Grant (FSEOG),** the **Federal Work-Study (FWS)** and the **Federal Perkins Loan (Perkins) Programs** are three **campus-based** programs through which the Department provides funds directly to eligible institutions, enabling them to offer grants, employment and low-interest loans based on student need. For the 2004-2005 award year, the Department disbursed approximately $3.3 billion in campus-based awards to approximately three million recipients.

There are **two state formula grant** programs. The **Leveraging Educational Assistance Partnership (LEAP) Program,** authorized by Section 415A of the HEA of 1965 as amended, makes federal funds available to assist states in providing student financial assistance programs for individuals with substantial financial need. The **Special Leveraging Educational Assistance Partnership (SLEAP) Program** was added to the LEAP Program in the 1998 Amendments to the HEA (Section 415E). SLEAP makes federal funds available to states to cover a third of the cost of supplementing their respective LEAP programs, supplementing their LEAP Community Service Work-Study programs, and/or providing Merit and Academic Achievement, or Critical Careers Scholarships, to students with substantial financial need.

Two major student loan programs account for nearly all of the remainder of the Department's financial assistance for postsecondary education. Loans can either be subsidized or unsubsidized. With subsidized loans, the government pays the interest while the student is in school and during qualified periods of grace and deferment. This is not the case with unsubsidized loans.

The **Direct Loan Program** lends funds directly to students through participating schools. The Department borrows these funds from the U.S. Treasury. In FY 2005, the Department awarded $12.8 billion[1] in net loans to 1.9 million Direct Loan Program recipients.

Funds for the **Federal Family Education Loan (FFEL) Program** are provided by private and nonprofit lenders. Loan guaranty agencies insure these funds, and they are reinsured in turn by the federal government. During FY 2005, Federal Student Aid assisted in the delivery of $43 billion[2] in net loans to 5.8 million FFEL recipients.

In FY 2005, Federal Student Aid delivered or facilitated the delivery of approximately $73 billion[3] in federal aid to approximately 10 million postsecondary students and their families. Federal Student Aid interacts with approximately 6,100 schools, approximately 3,200 lenders, 35 guaranty agencies and dozens of accrediting agencies, not to mention secondary markets, third-party servicers and a range of other organizations.

In fulfilling our program responsibilities, Federal Student Aid directly manages or oversees more than $391 billion in outstanding loans – representing almost 80 million student loans to over 26 million borrowers.


1 *Excludes consolidation loans of $17.7 billion.*
2 *Excludes consolidation loans of $50.8 billion.*
3 *Federal Student Aid's FY 2005 Management Discussion and Analysis (MD&A) reported projected total aid of $74 billion. The figure reported in this document reflects actual total aid delivered for FY 2005*

The graphic below illustrates the fiscal scope of Federal Student Aid's operations in FY 2005.

Total New Federal Aid

$73 Billion

- Federal Family Education Loans
- Direct Loans
- Pell Grants
- Campus-Based Programs
- Leveraging Educational Assistance Parnership Program

Total Federal Student Aid Loan Portfolio

$391 Billion

- Federal Family Education Loans
- FFEL Consolidated
- Direct Loans
- Direct Loans Consolidated
- Perkins Loans
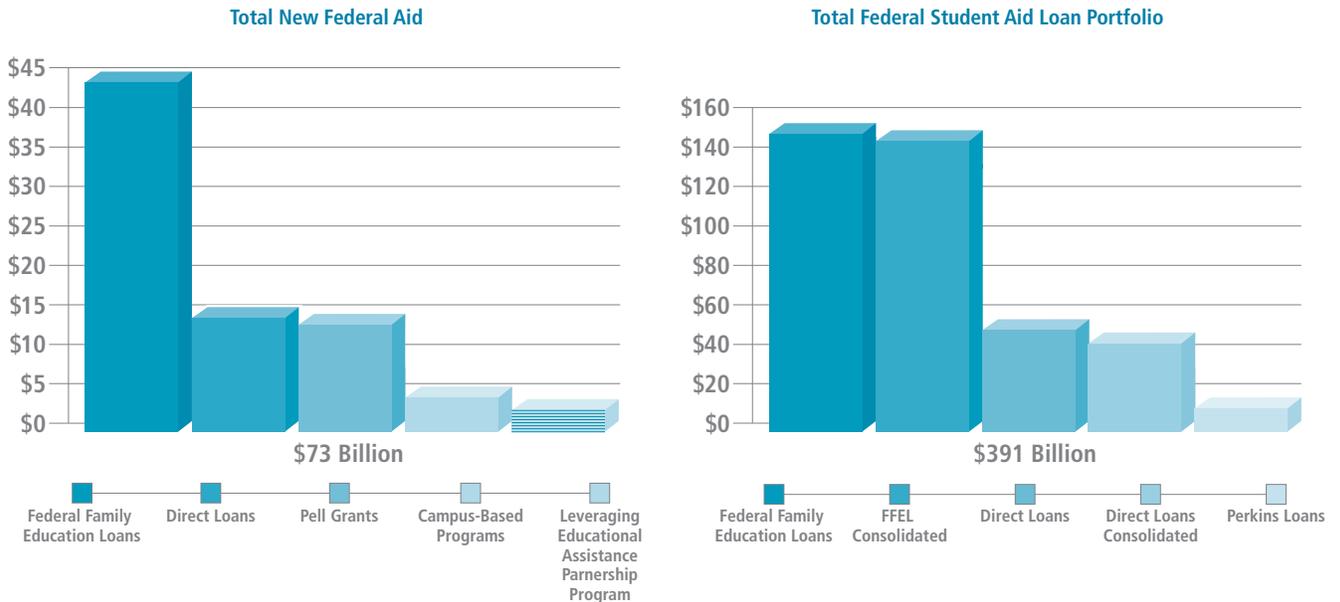
Performance Goals, Objectives and Results

Since Federal Student Aid was named the federal government's first PBO in 1998, we have introduced many concrete and measurable improvements in how we administer the federal student financial assistance programs. Our long-term strategic plan has been a critical success factor in this record of progress; it has delineated and guided our efforts to improve how we oversee and administer student aid programs. At the same time, it has provided an indispensable yardstick for our own assessment of how well our organization is performing its mission as a PBO. This Five-Year Plan adds detail to our planning or future progress. Appendix A provides Tactical Action Steps identified in Federal Student Aid's FY 2006 Annual Performance Plan to link our short-term initiatives to our long-term strategic objectives.

Several key strategic drivers have informed the scope and content of Federal Student Aid's Five-Year Plan:

- The President's Management Agenda
- The GAO High-Risk List
- PBO legislation
- The Department's Strategic Plan
- Customer needs

The resulting plan is anchored in five core strategic objectives. Taken collectively, these objectives provide the framework for continuous improvement at Federal Student Aid, guiding us in managing the Title IV programs more effectively and providing clear strategic direction to Federal Student Aid and all of its internal and external constituencies.

Our core strategic objectives are:

1. To integrate Federal Student Aid systems and provide new technology solutions to deliver federal student aid in an efficient and cost-effective manner;

2. To improve program integrity to ensure access to postsecondary education, while reducing vulnerability to fraud, waste and abuse;

3. To reduce program administration costs to improve control over resources and maintain accountability for results;

4. To improve human capital management; and

5. To improve products and services to provide better customer service.

STRATEGIC OBJECTIVES

This section summarizes Federal Student Aid's goals and objectives for the period FY 2006 – FY 2010. Section Three, Performance Management, provides a summary of our Performance Management tools as well as the corresponding Performance Standards.

OBJECTIVE ONE

Integrate Federal Student Aid systems and provide new technology solutions.

Federal Student Aid will improve efficiency and productivity, reduce system maintenance and overhead costs and increase the operating ease for users of our systems. Federal Student Aid will continue to provide appropriate and integrated technology solutions that enable ongoing improvements for a more efficient and cost-effective delivery and administration of the federal student financial assistance programs. In addition, the organization will take advantage of new technologies to improve application processing, customer service, productivity and efficiency.

Federal Student Aid has made considerable progress against our multiyear sequencing plan for system and business process integration. Several key initiatives were introduced including the Common Services for Borrowers initiative, which reengineers our organization's back-office loan servicing, consolidation and default loan collection processes, saving America's taxpayers an estimated $1 billion over the life of the contract. Similarly, Federal Student Aid initiated the reengineering of our front office functions of aid awareness, application, origination and disbursement business processes and systems with the launch of the ADvance initiative. With the Integrated Partner Management System project, Federal Student Aid will integrate the eligibility, certification, demographic, financial, audit and default rate information we receive from schools, lenders, guaranty agencies and servicers. All of these initiatives are supported by the organization's Information Framework initiative, which will ensure that accurate and consistent data is exchanged among all of our business partners. Appendices B and C illustrate Federal Student Aid's Technical Improvement Plan and Integration initiatives.

Common Services for Borrowers

In FY 2004, Federal Student Aid awarded the Common Services for Borrowers (CSB) contract. CSB is an initiative to integrate our organization's disparate back-office legacy student financial aid systems. CSB is designed to improve service to both internal and external customers and reduce operational costs. It integrates and replaces contracts for the Direct Loan Servicing System, the Debt Management and Collection System, the Direct Loan Consolidation System, the Conditional Disability Discharge Tracking System and the Debt Collection Service Information Center. When implemented, the CSB system will result in taxpayer savings of $1 billion over the ten-year term of the contract.

ADvance

In FY 2005, Federal Student Aid launched the ADvance initiative. ADvance will modernize our organization's core front office business functions through the integration, reengineering or replacement of existing legacy aid delivery systems. Formerly referred to as the Front-End Business Integration initiative, the ADvance solution fully integrates the Pell Grant award and Direct Loan origination and disbursement processes. The ADvance solution consolidates and streamlines common functions, providing an end-to-end, online view of financial aid information for customer service representatives, schools and students.

Integrated Partner Management System

The development and implementation of an Integrated Partner Management System (IPMS) will significantly enhance Federal Student Aid's ability to reduce fraud, waste and abuse by improving our oversight and monitoring of over 10,000 participants in the Title IV programs. This project, slated for contract award in FY 2006, will reengineer or replace the legacy systems that maintain data for schools, lenders, servicers and guaranty agencies. This data includes eligibility, certification, demographic, financial, audit and default rate information. The Integrated Partner Management System will incorporate a common routing ID, full partner security and partner access to enrollment information. IPMS will also enable a single sign-on for Federal Student Aid systems.

Information Framework

Formerly referred to as the Enterprise Data Strategy, our Information Framework initiative ensures that accurate and consistent data is exchanged among Federal Student Aid's automated systems, as well as among our employees, customers and partners. The Information Framework provides a comprehensive and integrated view of program data, making it accessible to Federal Student Aid partners, including compliance and oversight organizations. This solution facilitates the flow of business data across the enterprise, organizes data structures and architecture, assigns primary ownership of data, establishes standards, documents data management and governance policies, identifies access methods and improves quality and integrity. A far-reaching initiative that began in FY 2003, the program was expanded in FY 2005 to include the reengineering, or replacement and integration, of the National Student Loan Data System (NSLDS).

OBJECTIVE TWO

Improve program integrity to facilitate access to postsecondary education, while reducing vulnerability of the federal student financial assistance programs to fraud, waste, abuse and mismanagement.

> **Federal Student Aid will ensure that student aid under the Title IV programs is delivered directly by Federal Student Aid and through school, lender and guarantor participants in a manner that reduces the vulnerability of these programs to fraud, waste, abuse and mismanagement. Federal Student Aid is continually working to improve program integrity and is committed to continued success in the management of the Title IV programs.**

Ensuring financial accountability and increasing program integrity efforts will always be core priorities for Federal Student Aid. The organization implemented sound financial management controls at every level and, in FY 2005, achieved our fourth consecutive unqualified audit opinion on our financial statements, with no

material internal control weaknesses for the third straight year. As a result, the Title IV programs were removed from the GAO High-Risk List in 2005. In addition, in FY 2005, Federal Student Aid accomplishments contributed to the Department of Education's achievement of "green" status on the President's Management Agenda (PMA) financial management initiative and enabled Federal Student Aid to move to "green" on progress on the PMA initiative related to reducing fraud and error in federal student financial assistance programs and deficiencies in financial management.

Federal Student Aid is continually reviewing oversight and monitoring procedures for those participating in the Title IV programs to ensure adequate safeguards exist to protect program resources. We are working with the Office of Management and Budget (OMB) to lower the incidence of improper payments in the Title IV programs and established a joint fraud identification and elimination initiative with the Department's Office of Inspector General (OIG). We created an enterprise risk management function to provide greater organizational strategic risk identification and assessment capabilities and will continue to work with the higher education community to lower the incidence of default in Title IV loan programs.

Removal from the GAO High-Risk List

Federal Student Aid's leadership has focused consistently on key management issues identified by the GAO. This comprehensive management focus has spurred continuing improvements in our financial management and how we interact with and oversee program participants: i.e., schools, lenders, guaranty agencies, applicants and aid recipients. As a result, the Title IV programs were removed from the GAO High-Risk List in January 2005.

Improper Payments

The Improper Payments Information Act of 2002 (IPIA), along with subsequent guidance from OMB, requires agencies to review all programs and activities annually. The goal: identify those programs and activities most susceptible to improper payment practices. OMB's guidance defines significant improper payments in a given program and a given year as those exceeding both 2.5 percent of that program's annual payments and $10 million. For each program identified as susceptible, agencies are required to report the annual amount of estimated improper payments, as well as the steps taken and actions planned to reduce them. These reports are submitted to the President and the Congress.

In the first quarter of FY 2005, OMB introduced a new PMA initiative, Eliminating Improper Payments, to support agency efforts to meet IPIA reporting requirements. This initiative focuses on agency efforts to make it easier for agencies to track the progress of activities aimed at identifying, reporting on and reducing improper payments through OMB's quarterly scorecard process. At the same time, it provides for more comprehensive agency accountability to OMB through quarterly PMA scorecards.

Federal Student Aid is working closely with OMB and the Department to (1) reduce the amount of improper payments in our programs, (2) lower the risk of improper payments in our programs and (3) improve the accuracy of our improper payment estimates.

Sound Financial Management

Among Federal Student Aid's front line initiatives to improve program integrity is the ongoing assessment and refinement of our financial management and internal controls, a customary practice to ensure that reliable and timely information is available to management for critical day-to-day business operations. In addition, in November 2005, Federal Student Aid upgraded our Financial Management System (FMS). This program of enhancements included migrating the Oracle Federal Financial application from version 11.0.3 to version 11.5.10 and the Oracle database to version 10g, making Federal Student Aid the first federal entity to implement this solution. The upgraded solution provides increased security, automated workflow and reconciliation features and system balancing.

The Federal Managers Financial Integrity Act of 1982, the Sarbanes-Oxley Act of 2002 and OMB Circular 123 mandate continuing evaluation of and reporting on the effectiveness of internal financial reporting controls. Federal Student Aid will implement appropriate processes and procedures in FY 2006 to ensure enterprise-wide compliance.

It is also important to note Federal Student Aid's progress in eliminating fraud, waste and abuse in the Title IV programs, and in eliminating financial management deficiencies. Our progress on both of these measures has contributed significantly to our advancement to "green" on the PMA scorecard Elimination of Fraud and Error in Student Aid Programs and Deficiencies in Financial Management.

Program Management and Oversight

Schools

Federal Student Aid is responsible for ensuring that the nearly 6,100 institutions of higher education that participate in Title IV programs comply with the government's regulations for the federal student financial assistance programs.

In support of this oversight and compliance role, Federal Student Aid administers the certification process through which postsecondary institutions qualify to participate in Title IV programs. In essence, we determine whether institutions meet regulatory requirements for eligibility, administrative capability and financial responsibility. Similarly, we regularly monitor institutions that have already qualified for Title IV participation for compliance with applicable federal statutes, regulations and policies.

Federal Student Aid administers a formal process for compliance review that directly supports our application and eligibility monitoring efforts. Compliance reviews are customarily triggered by specific, clearly defined circumstances – a school's application for initial certification or recertification, for instance. Other compliance triggers include serious deficiencies identified during independent audits, financial statements that do not conform to acceptable accounting standards and changes in a given school's ownership. Our ongoing statistical analysis of school or student data can also signal the need for a compliance review. Similarly, external information, such as complaints from third parties or related intelligence suggesting systemic problems or other possible risks to Title IV funds, can also lead to compliance reviews.

When problems are discovered, Federal Student Aid acts quickly to guarantee the rights of students and to protect the integrity of the Title IV programs and the interests of the American taxpayer. Administrative action can be taken and financial penalties assessed for violations of Title IV program requirements, up to and including the termination of an institution's eligibility to participate in Title IV programs.

Federal Student Aid devotes substantial energy and resources to improving our business processes for compliance monitoring, for fair and effective enforcement and for ensuring institutional access to federal student financial assistance programs. We have, for example, introduced new operational processes that support enhanced collaboration with the OIG. We regularly

augment and fine-tune our review process, and work with other agencies and organizations on an ongoing basis to identify additional areas that could benefit from improvement. In addition, Federal Student Aid actively collaborates with accrediting, state and licensing agencies to strengthen their school review practices. Among our important contributions in this regard are the sharing of information about schools and expert consultation on matters of institutional oversight. To cite an example that underscores our improvements in school oversight and management, in FY 2005, Federal Student Aid centralized the review process for all recertifications stemming from institutional mergers and acquisitions.

Financial Partners

Federal Student Aid is also responsible for the oversight of approximately 3,200 lenders, guaranty agencies, secondary market lenders and third-party servicers participating in the FFEL program. For this component of our mission, we monitor compliance with applicable Title IV program requirements through a review process that is similar to that used for monitoring compliance by schools. This review process enables us to determine that lenders, guaranty agencies, secondary market lenders and third-party servicers remain financially stable and continue to operate in full compliance with applicable Title IV program requirements.

We continue to improve Federal Student Aid's internal procedures and controls in this segment of our operations, regularly increasing the frequency and level of compliance reviews. At the same time, we require comprehensive and consistent reporting by FFEL participants. Specifically, we monitor several key metrics to ensure that participants are complying with program requirements and that they remain financially sound. These metrics include financial partner data analysis, improper payment analysis, complaint resolution and federal subsidy fluctuations.

Moreover, Federal Student Aid acts in response to OIG and GAO investigations, as appropriate. We regularly analyze and evaluate data for lenders, guaranty agencies, secondary market lenders and third-party servicers, and perform on-site program reviews, as necessary, to identify signs of financial instability or noncompliance with applicable Title IV program requirements. When problems are discovered, Federal Student Aid acts quickly to guarantee the rights of students and to protect the integrity of the

Title IV programs and the interests of the American taxpayer. Administrative action can be taken and financial penalties assessed for violations of Title IV program requirements, up to and including the termination of an entity's eligibility to participate in Title IV programs.

Federal Student Aid also administers the Exceptional Performer program, through which the Department formally recognizes superior performance by eligible participants. In addition, Federal Student Aid manages the Voluntary Flexible Agreement (VFA) program, a replacement for the standard guaranty agency agreement, promoting innovative methods for preventing default and dealing with delinquency. Currently, 14 lenders and servicers have earned the Exceptional Performer designation and five guaranty agencies have established VFAs with the Department.

Aid Applicants

Every year, Federal Student Aid provides oversight of millions of aid applicants, ensuring the accuracy of applicant data and subsequent awards. In addition to processing more than 14 million applications annually, Federal Student Aid has implemented a range of measures to minimize fraud, waste and abuse, as well as errors in the application process. Data matching with other government agencies is one such approach for ensuring the accuracy of applicant submissions. For example, we exchange data with the Social Security Administration to verify social security number, name and date of birth, and we work closely with Homeland Security for applicants who are noncitizens. In addition, our agreement with the Department of Justice supports our efforts to identify applicants who are barred from receiving federal benefits. Similarly, we use NSLDS to identify applicants who have defaulted on previous loans.

The Department is currently working with Congress and the Internal Revenue Service (IRS) to develop legislation that will allow Federal Student Aid to match applicants against IRS records. Such a match would identify discrepancies in income between the *Free Application for Federal Student Aid* (FAFSA) and tax returns filed with the IRS.

Legislative and Regulatory Recommendations

Key among Federal Student Aid's mission responsibilities is the task of developing legislative recommendations. These recommendations customarily center on improving and simplifying Title IV programs, minimizing administrative costs and improving program integrity. What we recommend informs the Department's policy-making process, including its activities and decisions related to the reauthorization of the Higher Education Act. Federal Student Aid will continue to identify improvements and innovations that help reduce the cost of administering the Title IV programs, as well as approaches that limit the vulnerability of the Title IV programs to fraud, waste, abuse and mismanagement. We will also continue to identify, propose and implement improvements to the personnel and procurement flexibilities afforded us in our enabling legislation to enhance our operational capabilities and to meet our stated objectives as a PBO.

Federal Student Aid will continue to propose legislative, regulatory and policy recommendations to the Department of Education's Office of Postsecondary Education based on the knowledge we gain from our business operations and our interactions with students, parents, schools, lenders, guaranty agencies and other participants in Title IV programs. In our statutory, regulatory or policy recommendations, we will focus on proposed changes that simplify the application process for students and streamline the processes and operations for schools and delivery partners.

Default Prevention and Management

Our organization has worked closely with the higher education community to develop comprehensive outreach initiatives to educate student loan borrowers about their repayment responsibilities. As the two graphics on pages 9 and 10 illustrate, this activity has resulted in an appreciable decline in the Student Loan Cohort Default Rate. In FY 2003, this metric reached 4.5 percent, the lowest default rate since we began capturing this measurement.

Federal Student Aid also reduced the default portion of the student loan portfolio from nearly 17 percent in FY 1990 to almost six percent in FY 2005, even as the overall outstanding student loan portfolio was increasing by a factor of more than 517 percent during the same period.

As described in the Department's Strategic Plan, Federal Student Aid has committed to meeting specific default recovery rates for both the Direct Loan and FFEL programs. The default recovery rate is defined as the sum of collections on defaulted loans divided by the outstanding default portfolio at the end of the previous year. The Direct Loan and FFEL default recovery rates were approximately 18.7 and 19 percent, respectively, in FY 2005. Default recovery rates are projected to increase to over 20 and 22 percent, respectively, by FY 2010.

Defaulted Portion of Total Portfolio

1990		1999		2005
$10.9 B or 16.76%		$25.8 B or 12.73%		$25.2 B or 6.26%

Legend:
- Non-Defaulted Portfolio
- Defaulted Portfolio
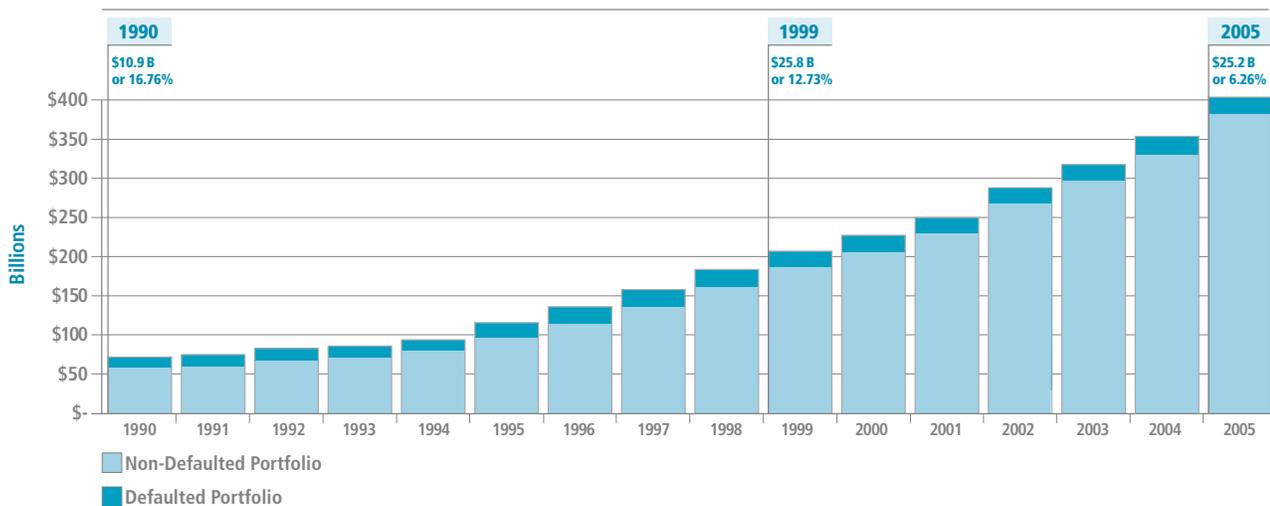
Risk Management

Federal Student Aid has established an enterprise risk management function to develop risk assessments and provide a more strategic view of downstream risk potentials. This approach will better equip senior management to anticipate, analyze and manage risks inherent in the federal student financial assistance programs. As an extension of these initial efforts, Federal Student Aid is presently working to establish risk management as an institutional core competency. The recently established Enterprise Risk Management (ERM) Group will provide risk management oversight and guidance to all business units. The ERM Group will perform internal reviews and risk assessment, and drive strategies and formulate plans for assessing, monitoring and addressing risk. The group will also provide internal audit tracking and resolution services for the organization. Beginning in FY 2006, the ERM Group will evaluate publicly traded schools to identify the characteristic risk factors, if any, that they pose.

Also in 2006, the group will begin efforts to implement the ERM framework espoused by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). We have begun the process of developing a strategy for implementing the COSO ERM Framework and plan to start implementation in the first half of 2006.

Federal Student Aid/OIG Fraud Taskforce

Federal Student Aid is partnering with OIG on a joint fraud initiative to identify and reduce fraud associated with the administration of Title IV programs. This initiative involves several teams comprised of individuals from both OIG and Federal Student Aid which are focused on assessing and quantifying risk and exposure associated with certain types of fraud (e.g., identity theft) or specific areas or programs that have been determined to be more susceptible to fraud or abuse. In support of this initiative, the OIG and Federal Student Aid are utilizing various data mining and data analysis techniques focused on fraud, audit and investigative activities; they are designed to improve our ability to detect, analyze and quantify data anomalies or patterns that could indicate irregularities. Federal Student Aid's ERM Group is also working to develop ad hoc data mining capabilities that will complement the fraud effort with OIG by helping to facilitate the analysis of data from a broad range of systems.

National Student Loan Default Rates

Cohort Default Rate																	

Default rates by year (upper axis label / lower cohort year):

Upper Year	Value	Cohort Year
1989	17.6%	1987
1990	17.2%	1988
1991	21.4%	1989
1992	22.4%	1990
1993	17.8%	1991
1994	15.0%	1992
1995	11.6%	1993
1996	10.7%	1994
1997	10.4%	1995
1998	9.6%	1996
1999	8.8%	1997
2000	6.9%	1998
2001	5.6%	1999
2002	5.9%	2000
2003	5.4%	2001
2004	5.2%	2002
2005	4.5%	2003

Cohort Years
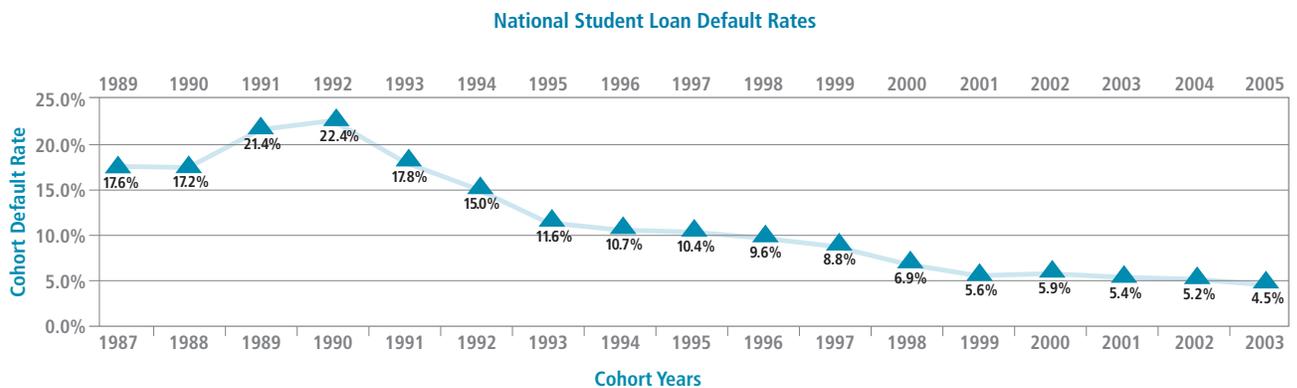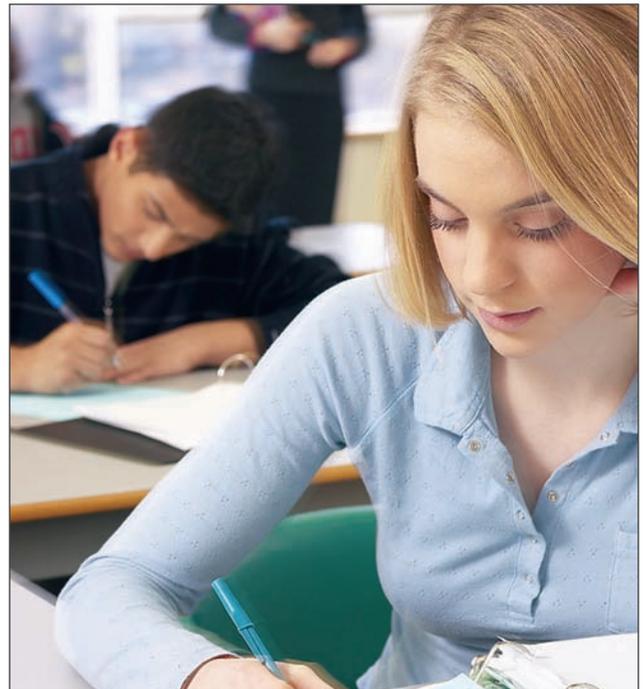
OBJECTIVE THREE

Reduce program administration costs.

Federal Student Aid will reduce the cost of administering the Title IV programs through strong financial, operational and budget management; the reengineering of overly complex business processes; and simplification of the business application and computing environment to reduce system complexity, minimize integration challenges, align contracts and reduce vendor management. Our aim is to improve the exchange of data with program participants and across the Federal Student Aid enterprise. In recent years, Federal Student Aid has maintained a relatively flat operating budget while supporting continued increases in program volume and workload. Federal Student Aid's ability to manage and control operating expenses is based on a philosophy of good fiscal management and continuous process improvement practices that increase productivity and operational efficiencies as well as innovation in our products, services and supporting technologies.

Federal Student Aid continues to decrease the direct unit cost of delivering federal student aid through efficiency and productivity gains in our business processes. These gains allow Federal Student Aid to successfully manage dramatically increasing workloads and control and contain budgetary impact. We use our activity-based costing model to better manage costs and formulate budgets, forecast financial trends and identify targets for business process improvements. Procurement management and controls were also identified as a critical component of enterprise cost control. As a result, Federal Student Aid established an Enterprise Procurement Plan to ensure effective contract management. Many of the systems integration initiatives outlined in Objective One will also provide significant cost savings including a projected $1 billion from CSB and $500 million from the implementation of ADvance. Several program integrity initiatives identified in Objective Two will contribute to enterprise cost management objectives, such as the program oversight and monitoring efforts and rigorous default, financial and risk management initiatives.

Activity-Based Costing

Federal Student Aid's Activity-Based Costing (ABC) model permits us to measure the success of our cost reduction strategies; this approach results in more accurate management of our unit cost structure. The ABC model drives allocations of dollars to specific activities, ultimately deriving a "unit cost" for those activities. Federal Student Aid uses the ABC model in a number of ways. It is used to identify targets for business process improvement, for instance, or to provide annual and year-over-year comparisons of unit cost performance. This in turn allows us to formulate annual budgets more reliably and accurately.

The Federal Student Aid team continues to enhance the ABC model to yield improved cost data and to provide an increasingly sound basis for the analysis of this data. In FY 2005, we reevaluated our baseline costs, focusing on two factors: data quality and reporting on business process metrics. We also used the ABC model extensively to assist in the formulation and evaluation of the FY 2007 budget.

The chart below indicates Federal Student Aid's progress in sustaining increased workloads at lower costs through gains in productivity and efficiency.

Actual 2001-2006 Work Volume vs. Projected Budgets

Volume Growth 2000 vs. 2006
- 49% increase in unduplicated borrowers
- 55% increase in loan volume

	2001	2002	2003	2004	2005	2006
Operating Budget (Projected)	$630	$627	$601	$606	$632	$644
Loans	9.89	11.07	12.41	13.69	14.63	15.3
Unduplicated Borrowers	5.7	6.24	6.89	7.59	8.12	8.49
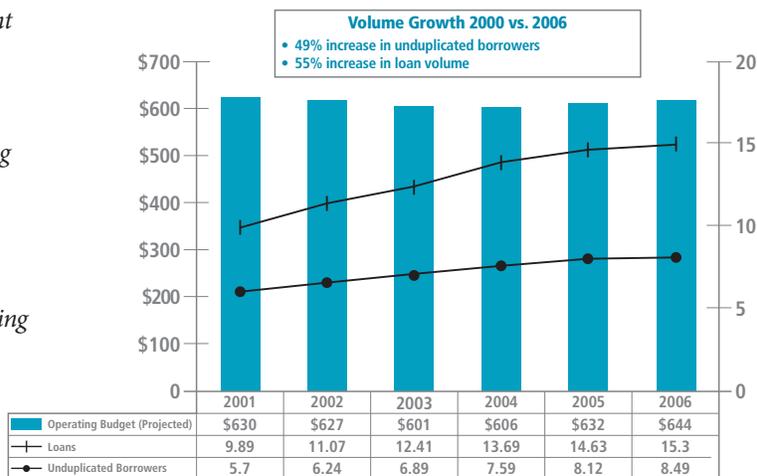
Default Collections

The default portion of the student loan portfolio serviced by private collection agencies is significant, and we have made appreciable progress in reducing our costs in managing this segment of our business. For instance, we have reduced our cost-to-collect from the FY 1998 value of $0.21 per dollar collected to $0.16 per dollar collected in FY 2004. During the same period, we have increased overall collections six-fold. In FY 2005, Federal Student Aid renegotiated our contracts with private collection agencies, resulting in an additional anticipated reduction in our cost-to-collect of 13 percent over the next three years. The reduction is expected even in light of a projected additional 25 percent increase in default collections over the same period.

Business Process Reengineering

Federal Student Aid continually evaluates opportunities to reengineer and automate existing processes and services. Our goal, of course, is better service at lower costs. The widespread acceptance of FAFSA on the Web as the preferred method of applying for federal student aid has substantially increased the efficiency and accuracy with which we process applications. Moreover, the consequent migration from paper-based to electronic applications inspired by the introduction of FAFSA on the Web now saves the Department approximately $23 million annually in processing costs and over $4 million in annual printing and postage costs. Also, Federal Student Aid introduced

a revised FAFSA Worksheet in FY 2006, a lower-cost alternative to completing a (more costly) paper FAFSA as a prelude to entering the same data in the online version of the FAFSA. In addition, the systems integration initiatives that will culminate in CSB and ADvance will reengineer and integrate multiple existing business processes and systems into single integrated solutions. The practical outcomes of these enterprise process innovations are better customer service and greater accuracy, with both results delivered at significantly lower cost as well.

The chart included on page 15 in our discussion of Objective Five illustrates our progress in encouraging the widespread adoption of FAFSA on the Web as a replacement for its more costly paper-based alternative.

Enterprise Procurement Plan

The Enterprise Procurement Plan (EPP) delineates the strategy for planning, executing and managing contract acquisitions within Federal Student Aid. These processes and procedures are designed to ensure that Federal Student Aid receives the highest value of service from our contractors at the lowest possible cost. The EPP assists us in defining meaningful and efficient requirements, ensuring sound and equitable business arrangements, mitigating risks associated with contracts and ensuring effective competition and small business utilization. The EPP also includes a staff development component to ensure adequate staff training on key business functions, notably project management and contract administration.

OBJECTIVE FOUR

Improve human capital management.

Human capital management is a critical component of Federal Student Aid's current business operations and future initiatives. Federal Student Aid continues to grow as an organization that empowers individuals to perform at a high level of effectiveness and efficiency. Federal Student Aid is utilizing innovative hiring and employee development techniques aimed at attracting and retaining highly qualified individuals to create a more productive, results-oriented workforce. Additionally, the organization is committed to workforce development and training to ensure a skilled and highly qualified professional workforce.

Federal Student Aid's workforce development objectives include preparation of a skills catalog, succession planning, targeted development and training programs, human resources flexibilities, accountability and human capital planning. To date, an employee skills catalog was developed and is being used to identify training needs in the organization. Succession planning was initiated in 2004 with the identification of mission-critical positions and the determination of the "bench strength" that exists and strategies for closing any gaps. Federal Student Aid continues to provide a rich cadre of training and development activities for its employees. With respect to human resources flexibilities, Federal Student Aid participated in the "Extreme Hiring Makeover" sponsored by the Partnership for Public Service and continues to pursue full use of available authorities to improve hiring and performance management responsibilities. Accountability among Federal Student Aid's workforce was strengthened by the alignment of performance agreements with the Annual Performance Plan and by steps taken to improve the quality and usefulness of performance standards. One of the most significant accomplishments was the development of a Human Capital Plan in August 2004.

Leadership Development

Federal Student Aid will continue to invest in its current and future leaders. During FY 2006, Federal Student Aid will introduce a newly designed, comprehensive supervisory skills training program. The program will train employees who are new to supervising in a federal environment or new to supervising altogether. For more experienced supervisors, the Executive Management Team has established a special training fund to support supervisors ready for leadership development through targeted programs offered by the Office of Personnel Management, the Harvard Business School Executive Education Program or other recognized providers. In FY 2006, Federal Student Aid will offer a comprehensive project management curriculum to enhance employee project management skills. Federal Student Aid is also developing an approach to evaluate its satisfaction with the investments being made in various supervisor and leadership development programs.

Succession planning will remain a priority for 2006 and beyond. Federal Student Aid will update its succession plan and strengthen its succession planning efforts to cultivate a strong pool of potential leaders at Federal Student Aid. In addition, Federal Student Aid will strengthen campus recruiting and use its intern program strategically to identify candidates for entry and junior level positions in the organization. We will also continue to leverage our strategic application of Excepted Service appointments, as provided by the PBO legislation, to fill key positions in the organization. This provision greatly enhances our ability to compete with the private sector for qualified candidates.

Performance Management and Accountability

The initiatives in the Human Capital Plan are geared to cultivating an environment that recognizes and values strong performance, while providing tools to identify and address poor performance so that the organization can successfully meet its current goals and future challenges. Federal Student Aid will continue to strengthen performance management in the organization by using a full complement of services to assist managers and employees with developing meaningful performance standards, giving and receiving useful performance feedback and employing other techniques to improve the motivation and performance of employees.

Talent Acquisition and Diversity

Acquiring talent and maintaining a diverse workforce are priorities in the Human Capital Plan. We support these goals through an array of hiring, training and development strategies. Federal Student Aid will improve hiring by implementing a number of process improvements, notably a significant reduction in the number of steps of the standard hiring process [previously 114 steps] and the improvement of manager satisfaction with the ease of hiring and quality of the candidates. Federal Student Aid will also develop and implement steps to ensure that we maintain a diverse workforce that values the full spectrum of viewpoints and perspectives inherent in a diverse and inclusive workgroup.

Federal Student Aid's training functions provide coaching services and training sessions to improve core business and mission-critical skills across the organization. Federal Student Aid sponsors the Learning Coupon, a program that encourages employees to take responsibility for their own career development by providing up to $500 for training in areas related to their field of work. In 2006 and beyond, Federal Student Aid will develop and provide training to all Federal Student Aid employees to improve awareness and knowledge of the functions of the Title IV programs, as well as Federal Student Aid's systems, products and services, so that employees can provide better service to both internal and external customers.

OBJECTIVE FIVE

Improve products and services to provide better customer service.

Federal Student Aid will make a continuous effort to improve products and services to students and their families and program participants such as schools, lenders and guaranty agencies. Being aware of the concerns of customers is a critical component of our efforts to improve federal student aid products and services. Federal Student Aid intends to reduce the complexity of our products and services, ensure that compliance is maintained, provide customers with 24/7 access and promote increased self-service opportunities for customers. In addition, Federal Student Aid will develop strategies to provide integrated solutions for customers.

Federal Student Aid continues to improve service to customers through process reengineering, innovation and improvement efforts. We will continue to reduce the complexity of our products and services, increase customer awareness and access and promote customer self-service. In addition, many of our system integration efforts such as CSB and ADvance support our goal of improving service to our varied customer base. In FY 2006, Federal Student Aid will implement a multiyear enterprise strategic communications plan to augment existing communications practices. As customers' needs evolve, Federal Student Aid will continue to review our existing services, systems and procedures to ensure they provide superior value and world-class service.

FAFSA on the Web

Federal Student Aid has continued to emphasize process improvement and innovation in our programs, refining and consolidating our products and services and reducing costs to taxpayers. As noted above, a significant achievement is the public's enthusiastic acceptance of FAFSA on the Web as the preferred method of completing and filing the FAFSA. Today, 90 percent of our 14.2 million yearly applicants apply for federal student aid electronically, an impressive adoption rate for what had been a process based entirely on a paper application only nine years ago.

FAFSA on the Web dramatically increases the speed, accuracy and efficiency of applying for federal student aid. At our FY 2005 peak, FAFSA on the Web served over 47,000 concurrent users, processed 85 application transactions per second and handled 191,000 applications per day. What's more, FAFSA on the Web has achieved customer satisfaction scores that are impressive by any measure. Our ratings easily surpass most public sector benchmarks, and they compare favorably to high-performing private sector brands like Mercedes Benz, Amazon.com and UPS.

STRATEGIC OBJECTIVES *continued*

The graph below illustrates the year-over-year growth in processing volumes for the FAFSA since 1996-1997, and delineates the relative proportions of paper vs. electronic FAFSAs processed in each year.

Year-Over-Year Increases In FAFSA Processing Volumes: 1996-Present

Year	Electronic	Paper
1996-97	1.7	8.0
1997-98	1.9	7.9
1998-99	2.4	7.5
1999-00	3.2	7.0
2000-01	4.2	6.3
2001-02	5.7	5.7
2002-03	7.3	4.8
2003-04	9.5	3.7
2004-05	11.0	2.6
2005-06*	12.4	1.5
2006-07*	12.8	1.4

*Projected
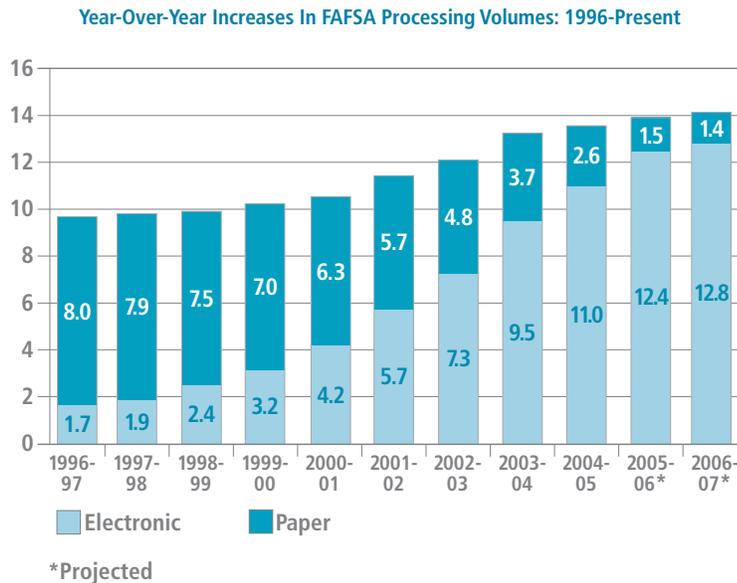
Enterprise Communications Strategy

In keeping with our commitment to improving customer service, Federal Student Aid is implementing a multiyear enterprise communications strategy. Its objectives: to articulate the benefits of postsecondary education for all Americans, to raise awareness of federal student financial assistance programs and to improve the consistency of all our print and electronic communications to our many stakeholders. Our strategy also entails cultivating partnerships with national, regional and local organizations that share our goal of promoting awareness of and access to postsecondary education.

Enterprise Web Portal Strategy

Our Enterprise Communications Strategy also calls for establishing an integrated Web presence. This unified portal will provide our customers with seamless access to consolidated information and services that we currently offer through more than 58 separate Web sites. The Web portal will also simplify enterprise-wide responses to changes or new regulations and guidance; it will surely add to our stakeholders' satisfaction with the manner in which we organize and present our diverse services and information resources online. Federal Student Aid's Web strategy will elevate enterprise communication to a new level of clarity and efficiency, and it will reduce redundancies and lower our costs.

Customer Satisfaction Scores

A vital tool that we use to gauge our customers' response to our products and services is the American Customer Satisfaction Index (ACSI), which standardizes the measurement of this critical metric for organizations throughout the United States, covering more than 200 companies and public entities in 29 industries. ACSI ratings for Federal Student Aid's most frequently used products and services – including Direct Loan Servicing, FAFSA on the Web, the Common Origination and Disbursement system (COD) and the Lender Application and Reporting System (LaRS) – all register in the "Excellent" and "Good" ranges. Our products score higher than the federal government aggregate and on a par with private sector organizations, such as UPS and Amazon.com, as well as with financial services leaders like JP Morgan Chase, Bank of America and Wells Fargo. We plan to continue to monitor customer satisfaction with the ACSI or a similar national index.

Federal Student Aid Ombudsman

The 1998 Amendments to the Higher Education Act mandated the establishment of the office of the Ombudsman to resolve borrower disputes with loans holders, guaranty agencies and schools. Since it began, the office has resolved over 85,000 complaints.

The Ombudsman is yet another resource Federal Student Aid employs to collect and analyze customer feedback. Through our Ombudsman operation, we consistently analyze complaint data to identify broader systemic issues impacting Title IV programs. The Ombudsman then helps to identify corrective actions to prevent future problems.

Performance management is a critical component in Federal Student Aid's strategic vision, as well as our day-to-day operations. Our performance management initiatives are wide-ranging and influence every aspect of our business. The elements we describe here are the highlights of our enterprise program. This section also details the performance standards that support Federal Student Aid's five strategic objectives.

Annual Performance Planning

Currently, Federal Student Aid develops an Annual Performance Plan that frames our annual work commitments and progress measurements against our strategic objectives. This plan, developed in conjunction with our budget planning process, establishes specific tactical initiatives to achieve each of our strategic objectives as outlined in this document. The plan tracks timelines, milestones and status; it evaluates these elements bimonthly to ensure their alignment with current business needs, the allocation of resources, the availability and allocation of capital and operating funds, policy considerations and statutory and regulatory requirements. Appendix A summarizes Federal Student Aid's FY 2006 tactical initiatives.

Program and Business Operations

Federal Student Aid has developed a range of tools to monitor and report on organizational performance on a weekly, monthly, semiannual and annual basis. The Federal Student Aid Executive Dashboard, for example, provides our management team with a weekly summary of operational metrics. Among our other tools is our monthly Performance Plan Status Summary, which reports comprehensively on the status and activity of action items and milestones included in our Annual Performance Plan. Federal Student Aid also produces a semiannual report that graphically depicts accomplishments and progress toward completion of the action items included in the Annual Performance Plan. Finally, Federal Student Aid submits to Congress an Annual Report summarizing the progress we have achieved in meeting our strategic objectives and other accomplishments.

Business and Technology Integration Group

The Business and Technology Integration Group (BTIG) was established to assist Federal Student Aid in the integration of enterprise processes and systems. BTIG's members, representing all segments of our organization, meet regularly to review and evaluate data trends impacting business delivery and to review organizational progress toward business systems and process integration. Among BTIG's other activities: setting the scope for our target business architecture, maintaining Federal Student Aid's integration sequencing plan and developing recommendations for enterprise processes.

Investment Planning Council

Federal Student Aid has implemented an Investment Planning Council (IPC) to establish a rigorous review process for all of Federal Student Aid's initiatives. The IPC ensures that Federal Student Aid reviews investments appropriately, maintains information technology compliance with the Clinger-Cohen Act and aligns all its initiatives with Federal Student Aid's Performance Plan and the Department's Strategic Plan.

The IPC, which consists of the Federal Student Aid Executive Management Team, meets weekly. Through the IPC, Federal Student Aid manages our initiatives from an enterprise perspective, encourages partnerships, eliminates duplicative and stovepiped projects and balances benefits against the costs and risks of each initiative. Once an initiative is approved by the IPC, it is monitored through the Project Management Office and its status is reported regularly to the IPC.

Project Management Office

The Project Management Office, established in FY 2003, is the central point of oversight for all projects. Through the Project Management Office, we integrate all project activities within Federal Student Aid, linking them to strategic objectives, priorities and available resources. It supports project managers by establishing enterprise project management standards of practice, advising on systems integration strategy, sharing information across projects during the full life cycle of the projects and providing relevant reports and data to management.

Customer Service Review Board

The Customer Service Review Board (CSRB) was formed in FY 2003 to improve customer service throughout our organization. Members of the CSRB are Federal Student Aid employees with customer interaction responsibilities; together they analyze service improvement data from customers. Among other functions, this entails developing and reporting customer service metrics to senior management. The CSRB also serves as a forum for staff to present and discuss service improvements that have been enacted or are under consideration.

Performance Standards

OBJECTIVE ONE

Integrate Federal Student Aid systems and provide new technology solutions to deliver federal student aid in an efficient and cost-effective manner.

The following performance standards were established to measure our success in achieving our key integration initiatives. Success is predicated on the timely completion of all scheduled project deliverables in the design, development and implementation phases of the four main systems integration initiatives as described below.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Common Services for Borrowers	In Development	Implementation			
ADvance	In Development	In Development	Implementation		
Integrated Partner Managment	Design Phase	In Development	In Development	Implementation	
Information Framework	Design Phase	Design Phase	In Development	In Development	Implementation

OBJECTIVE TWO

Improve program integrity to ensure access to postsecondary education, while reducing vulnerability of the federal student financial assistance programs to fraud, waste and abuse.

The following performance standards were established to gauge our success in improving program integrity while reducing the vulnerability of the Title IV programs to fraud, waste and abuse. Our success relies on maintaining "green" status on the PMA, continued improvement in lowering default rates and increasing the recovery rate.

Metrics	FY 2005 Baseline	FY 2006	FY 2010
Financial Management PMA Scorecard	Green	Green	Green
Improper Payments PMA Scorecard Rating	Red	Yellow	Green
Cumulative Lifetime Default Rate Title IV Student Loan Portfolio	NA	Develop Baseline	TBD
Cohort Default Rate	4.5%	< 6%	< 6%
Direct Loan Recovery Rate	18.6%	19%	22.9%
FFEL Default Recovery Rate	19.0%	19.3%	20.6%

OBJECTIVE THREE

Reduce program administration costs to improve control over resources and maintain accountability for results.

Performance standards were established to measure our ability to control costs in an environment of increasing workloads. Success relies on achieving economies of scale in our application, delivery, servicing and collection activities.

Metrics	Federal Student Aid Cost Performance		
	FY 2006	**FY 2008**	**FY 2010**
Reduce electronic FAFSA direct unit costs	Develop Baseline	20% Reduction	25% Reduction
Reduce origination and disbursement direct unit costs	Develop Baseline	10% Reduction	15% Reduction
Reduce Direct Loan Servicing direct unit costs	Develop Baseline	12% Reduction	12% Reduction
Reduce Collections direct unit costs	Develop Baseline	14% Reduction	14% Reduction

OBJECTIVE FOUR

Improve human capital management.

The performance standard for improving human capital management measures our ability to maintain a skilled and knowledgeable workforce. Specifically, the performance measure will identify our mission-critical competencies, identify where current or potential weaknesses exist and identify training plans for individuals to further develop competency/skills/knowledge.

Metrics	FY 2006	FY 2007
Use training resources to develop a highly-skilled workforce to ensure competency in mission-critical skills/knowledge	Develop Baseline	TBD

OBJECTIVE FIVE

Improve products and services to provide better customer service.

The following performance standards were established to measure our success in meeting and exceeding customer service goals. Specifically, success is realized with continuous improvement in our customer satisfaction scores for our four main systems.

Metrics	FY 2005 Scores Baseline	FY 2005 Scores Benchmark	FY 2010 Scores
Student Aid Application	81	75	90th percentile
School Origination & Disbursement	76	68	90th percentile
Lender Payment Processing	72	68	90th percentile
Direct Loan Borrower Servicing	76	75	90th percentile

POSSIBLE FUTURE EFFECTS OF EXTERNAL FACTORS

Federal Student Aid's ability to implement the initiatives described in this plan are often subject to external influences. Many of these forces that can affect budget and policy matters are difficult or impossible to predict accurately in advance. Federal Student Aid works closely with the Department and OMB to develop our administrative budget and ensure that appropriate resources are allocated for our strategic objectives.

Legislative and/or regulatory action may result in policy, resource or program changes that require us to revisit our current strategic plan. A potentially critical factor in this regard is the planned reauthorization of the Higher Education Act, presently scheduled for FY 2006. When the reauthorization is completed, we will revise both the Annual Performance Plan and the Five-Year Strategic Plan to meet our new legislative and/or regulatory requirements.

In August and September 2005, hurricanes Katrina and Rita caused extensive damage to the Gulf Coast region of the United States. Federal Student Aid is committed to assisting students and their families, schools and partners impacted by the storm. We are unable to anticipate the full cost or impact on Federal Student Aid's strategic objectives as a result of our long-term commitment to this or any other unforeseen events.

PROJECT NUMBER	Appendix A: Action Steps (As of November 18, 2005)	Five-Year Plan Strategic Objectives					Operational Responsibilities
		1- Federal Student Aid Systems Integration and Technology Solution Initiatives	2 - Improve Program Integrity	3 - Reduce Cost	4 - Improve Human Capital Management	5 - Improve Products and Services	
ANNUAL ACTIVITIES							
1.1	Implement student aid awareness (SAA) initiatives.					X	
1.2	Implement application products and customer services.					X	
1.3	Improve customer interaction through customer feedback.					X	
1.4	Manage Application Processing System [Central Processing System (CPS), FAFSA on the Web (FOTW), Personal Identification Number (PIN) Web site, FAA Access, Participation Management (PM), the Institutional Student Information Report (ISIR) Datamart, and related application products].		X			X	
1.5	Deliver Electronic Data Exchange (EDExpress) PC products to schools.		X			X	X
1.6	Administer Pell Grant and Direct Loan (DL) activities.		X				
1.7	Administer Campus-Based activities.						X
1.8	Manage Postsecondary Education Participant System (PEPS).						X
1.9	Enhance program monitoring and oversight of school participants.		X			X	X
1.10	Produce school publications and materials and electronically notify schools of new publications.		X			X	
1.11	Develop and deliver program and technical training for schools through a combination of videoconferences, Web-based training, and classroom experiences and conference presentations.					X	X
1.12	Provide integration leadership to strategic initiatives to ensure alignment with enterprise Target State Vision and coordination across projects.	X	X			X	
1.13	Implement aid delivery and oversight improvements identified by Vulnerability Assessment produced in FY 04.		X				
1.14	Maintain and enhance inclusive Application, School Eligibility and Delivery Services (ASEDS) requirements-tracking process that includes the input of all Federal Student Aid clients.		X			X	
1.15	Implement the ADvance Solution.	X	X	X		X	
2.1	Enhance program monitoring and oversight of DL program and the default collections.		X	X		X	X
2.2	Implement plan to improve customer service to the DL portfolio and increase participation in e-servicing.			X		X	
2.3	Work with Common Services for Borrowers (CSB) contractor to develop campaign to promote Electronic Debit Account (EDA) usage among DL borrowers.		X	X		X	
2.4	Implement escheatment system processes for Collections suspense account.		X			X	
2.5	Implement the CSB system.	X	X	X		X	
2.6	Establish recovery rate targets for all Federal Student Aid default collections utilizing all recovery tools.		X	X			
2.7	Establish recovery rate targets for all Federal Student Aid default collections, less consolidation.		X	X			
2.8	Establish recovery rate targets on combined Federal Student Aid and guaranty agency (GA) default collections.		X	X			
2.9	Establish recovery rate targets on the DL Program defaulted debt.		X	X			
2.10	Control growth of Federal Student Aid defaulted loan portfolio.		X	X			
2.11	Establish recovery rate targets on Federal Family Education Loan (FFEL) Program defaulted debt [held by Education (ED) and GAs].		X	X			
2.12	Implement Borrower Services realignment.		X	X	X	X	
2.13	Improve performance to Borrower Services call center customers.					X	
2.14	Develop strategies and plan to improve and increase overall customer satisfaction in the CSB call centers.		X			X	
2.15	Reduce the number of cases from Borrower Services customers (collections, consolidation, servicing, CDDT) that are referred to the Ombudsman's office.				X	X	
2.16	Review DL Program current costs to ascertain potential cost reductions.		X	X			
3.1	Perform National Student Loan Data System (NSLDS) maintenance and operations activities.		X	X		X	X
3.2	Perform maintenance and operation activities for the Financial Partners (FP) Datamart.		X			X	X
3.3	Perform operations activities for the FP Portal.	X				X	X
3.4	Perform Leveraging Educational Assistance Partnership/ Special Leveraging Educational Assistance Partnership (LEAP/SLEAP) activities.		X				X
3.5	Perform Voluntary Flexible Agreement (VFA) activities.		X	X		X	X
3.6	Perform Exceptional Performer (EP) activities.		X	X		X	X

PROJECT NUMBER	Appendix A: Action Steps (As of November 18, 2005)	Five-Year Plan Strategic Objectives					Operational Responsibilities
		1- Federal Student Aid Systems Integration and Technology Solution Initiatives	2 – Improve Program Integrity	3 – Reduce Cost	4 – Improve Human Capital Management	5 – Improve Products and Services	
ANNUAL ACTIVITIES							
3.7	Enhance program monitoring and oversight of lenders, servicers and guaranty agencies.		X	X	X	X	X
3.8	Implement quarterly action plans for the President's Management Agenda (PMA) initiative, Eliminating Improper Payments.		X	X			
4.1	Manage Financial Management Systems (FMS) operations.		X			X	X
4.2	Sustain clean audit opinion and address material weaknesses, reportable conditions or management letter comments identified in annual financial statement audits, if any.		X			X	X
4.3	Comply with A-123 requirements.		X			X	X
4.4	Manage activity-based management program.			X		X	X
4.5	Administer a budget-reporting schedule to provide management and Federal Student Aid budget staff with a comprehensive package of budget information to facilitate decision making and fund management.						X
4.6	Provide CSB implementation team with requirements/information/guidance in a timely manner.		X	X		X	
4.7	Continue to improve the effectiveness of the Monthly Forms 2000 reasonableness tests and reconciliations.		X				
4.8	Implement quarterly action plans for the President's Management Agenda (PMA) initiative, Eliminating Improper Payments. Implement annual action plan for the annual Improper Payments report for the Performance and Accountability Report (PAR).		X	X		X	
5.1	Provide Enterprise Architecture (EA) management.	X	X	X		X	X
5.2	Provide security and privacy support.	X	X			X	X
5.3	Provide Integrated Technical Architecture (ITA) and Enterprise Architecture Integration (EAI) maintenance and production support.	X	X	X		X	X
5.4	Support the Federal Student Aid IT assets at the Virtual Data Center (VDC) with lines of service, including full and incremental backups, annual disaster recovery tests, disaster recovery location and services, quarterly capacity planning, annual penetration testing, test environment support, security and compliance with all appropriate Federal Student Aid, Department and federal policies, regulations and statutes.		X	X		X	X
5.5	Continue Enterprise QA Program to support Federal Student Aid in conducting systems assessments and evaluations consistent with best practices for Life Cycle Management and the Capital Planning and Investment Control (CPIC) processes.		X			X	X
5.6	Support the Department's customers and business partners by participating in the PMA's E-Government initiatives.	X				X	X
5.7	Validate the Data Quality Management Plan.	X					X
5.8	Provide Security Architecture (SA) maintenance and production support.	X	X				X
5.9	Establish business support processes and tools.	X	X	X		X	X
5.10	Implement the information technology services and support (ITSS) function that is enabled by the new blanket purchase agreement to 18 vendors (awarded 9/30/05).	X	X	X	X	X	
5.11	Complete a review of Federal Student Aid's Business Continuity Plan (BCP) utilizing information learned from the recent hurricane disasters and in consideration of the flu pandemic, and make all approved changes.					X	
6.1	Plan, manage and execute Federal Student Aid's two Electronic Access Conferences and Software Developers' Conference and exhibit at conferences on behalf of Federal Student Aid.		X			X	X
6.2	Develop, implement and manage effective day-to-day internal communications campaign using vehicles, such as the Federal Student Aid intranet and Federal Student Aid Communications Workgroup.			X			X
6.3	Manage controlled correspondence functions, including Freedom of Information Act (FOIA), Privacy Act and Controlled Mail.		X				X

PROJECT NUMBER	Appendix A: Action Steps (As of November 18, 2005)	Five-Year Plan Strategic Objectives					Operational Responsibilities
		1- Federal Student Aid Systems Integration and Technology Solution Initiatives	2 - Improve Program Integrity	3 - Reduce Cost	4 - Improve Human Capital Management	5 - Improve Products and Services	
ANNUAL ACTIVITIES							
6.4	Develop, implement and manage day-to-day external communications by tracking and answering customers' requests, managing the printing publications and conducting media interviews.		X	X		X	X
6.5	Submit final FY 05 Annual Performance Report to Congress, and plan for the following year update.						X
6.6	Update Federal Student Aid's Five-Year Performance Plan, and plan for the following year update.						X
7.1	Begin standardizing project management practices, where applicable.		X	X	X	X	
7.2	Improve financial management through performance, budget and acquisition integration.		X	X	X	X	
7.3	Optimize Return on Investment through better contracting processes.		X	X	X	X	X
7.4	Continually monitor and report on accomplishments related to the high-risk areas and to recommendations in Government Accountibility Office's (GAO's) 2004 high-risk review.	X	X	X	X	X	X
7.5	Maintain close ties with GAO and Office of Inspector General (OIG), facilitate their audit activities and assist Federal Student Aid management in addressing significant issues from those activities in a timely and effective manner.		X				X
7.6	Perform the audit reporting and audit liaison functional responsibilities for all of Federal Student Aid.						X
7.7	Develop and enhance Internal Review capabilities.		X	X	X	X	
7.8	Complete rollout of the Enterprise Risk Management organization, including the Risk Analysis and Reporting and Internal Review Divisions.		X	X	X	X	
7.9	Create improved systems and methods for analyzing data, assessing risk and monitoring for potential problems.		X	X		X	
7.10	Begin implementation of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Enterprise Risk Management (ERM) Integrated Framework at Federal Student Aid.		X	X	X	X	
7.11	Develop a comprehensive COSO ERM Framework implementation strategy based upon the Sept. 2004 release of the COSO Framework.		X				
7.12	Conduct the first two phases of the COSO ERM Framework – Internal Environment and Objective Setting – as defined in the Sept. 2004 release of the COSO Framework.		X				
7.13	Partially conduct the third phase of the COSO ERM Framework – Event Identification – as defined in the Sept. 2004 release of the COSO Framework.		X				
7.14	Develop FY 07 Annual Performance Plan.						X
7.15	Issue customer satisfaction survey results.					X	X
7.16	Execute reporting for Federal Student Aid's Annual Performance Plan and the Department's PAR.						X
8.1	Provide high-quality information, research and informal problem resolution services to student loan borrowers and other participants in student programs.		X			X	X
9.1	Conduct activities related to legislation such as the Reauthorization of the Higher Education Act (HEA), budget and appropriations bills that affect Federal Student Aid.		X	X		X	X
9.2	Prepare for Federal Student Aid/Internal Revenue Service (IRS) data match.		X	X		X	
9.3	Conduct activities related to required submissions to Office of Management and Budget (OMB).		X	X		X	X
9.4	Provide statutory, regulatory and other policy advice, leadership and expertise to Federal Student Aid management and staff.		X		X	X	X
9.5	Perform professional liaison activities among Office of Postsecondary Education (OPE), Office of General Counsel (OGC) and Federal Student Aid regarding student aid issues.		X	X		X	X
9.6	Develop and/or participate in the development of various internal and external Federal Student Aid communications.			X			X
9.7	Advise OPE, OGC, Office of Legislative and Congressional Affairs (OLCA) and other ED and OMB offices of the impact of proposed legislative, regulatory or policy initiatives to the Federal Student Aid programs.		X	X		X	X
9.8	Work with external customers such as schools, lenders, students, servicers, associations, et al, on questions of policy implementation.						X

PROJECT NUMBER	Appendix A: Action Steps (As of November 18, 2005)	Five-Year Plan Strategic Objectives					Operational Responsibilities
		1- Federal Student Aid Systems Integration and Technology Solution Initiatives	2 - Improve Program Integrity	3 - Reduce Cost	4 - Improve Human Capital Management	5 - Improve Products and Services	
ANNUAL ACTIVITIES							
9.9	Participate in development of regulations related to Federal Student Aid, resulting from the reauthorization of the Higher Education Act of 1965, as amended.						X
10.1	Implement and update human capital plan.						X
10.2	Develop a baseline for the Five-Year Plan performance measures.				X		
10.3	Design, deliver and evaluate Supervisor Skills Training (Cornerstones).				X		
10.4	Design evaluation to determine satisfaction with investment in Leadership Fund and coaching activities.				X		
10.5	Define career path for leaders at all levels.				X		
10.6	Improve performance management.				X		
10.7	Improve hiring practices.				X		
10.8	Develop and deliver FY 06 Training Plan.				X		
10.9	Develop a Personal Development Plan (PDP) process and tool available for all employees.				X		
10.10	Implement parking and transit benefits programs.				X		
10.11	Develop a facilities strategy that encompasses a space-management plan for current and projected staffing.				X		
10.12	Develop and use a report to track volume of and responsiveness to building maintenance, repair and furnishing services requests (does not include renovation, construction or event management).				X		
10.13	Implement a Federal Student Aid Emergency Preparedness Plan.				X		
11.1	Implement Federal Student Aid Enterprise Communications Strategy	X				X	
11.2	Perform software upgrades as necessary for 'Student Aid on the Web' and 'Federal Student Aid for Counselors'.						
11.3	Implement the Integrated Partner Management (IPM) Solution.	X	X			X	
11.4	Initiate School Eligibility Channel (SEC) improvements.						X
11.5	Determine the feasibility of producing an electronically searchable Federal Student Aid Handbook.						
11.6	Begin implementing the next steps of the Enterprise Data Strategy Initiative. Develop a Statement of Objectives (SOO) to implement the Student Aid History Management (SAHM) / Information Framework (IF) Integration Initiative.	X	X	X		X	
11.7	Provide a technology contingency fund for unanticipated new technical requirements.						X
11.8	Provide Data Management Support to Federal Student Aid Business owners and their Systems.	X	X	X		X	
11.9	Develop a Federal Student Aid Enterprise Web Strategy that defines enterprise standards / approaches to areas that impact Federal Student Aid web sites across the organization, leveraging Advance web development efforts as appropriate.	X		X		X	
11.10	Implement NSLDS enhancements.		X			X	
11.11	Establish Quantitative and Qualitative (Q&Q) Cost library.		X	X		X	
11.12	Support the re-implementation of Financial Management Support System (FMSS) as Oracle Federal Financials application version 11.5.10 and upgrade the FMS application from version 11.0.3 to version 11.5.10 and the FMS database version from 8i to 10g. The FMSS re-implementation is due for completion in October 2006 and the FMS upgrade-in-place is due for completion in December 2005.		X				
11.13	Establish Business Support Processes and Tools.						
11.14	Implement Financial Partners Datamart enhancements.		X			X	

FSA Target State Vision

Target State Vision
High-Level Business
View of
Financial Aid Life Cycle
April 15, 2005

	1999	2000	2001	2002	2003	2004	2005	2006
Application	CPS / MDE	CPS / MDE	CPS / MDE	CPS / MDE	CPS	CPS / FEBI	CPS / FEBI	CPS / FEBI
Origination & Disbursement	RFMS / DLOS / CBS	RFMS / DLOS / CBS	RFMS / DLOS / eCBS	eCBS / COD	eCBS / COD	eCBS / COD	eCBS / COD	eCBS / COD
Borrower Services	DMCS / DLCS / DLSS	DMCS / DLCS / DLSS	DMCS / DLCS / DLSS	DMCS / DLCS / DLSS	DMCS / DLCS / DLSS	CSB	CSB	CSB
Integrated Partner Management	PEPS	PEPS	PEPS	PEPS	PEPS / eZ-Audit	PEPS / eZ-Audit / IPMS	PEPS / eZ-Audit / IPMS	IPMS
Financial Mgt & NSLDS	FFEL / FARS / CDS / NSLDS	FFEL / FARS / NSLDS	FFEL / FARS / FMS / NSLDS	FMS / NSLDS	FMS / NSLDS	FMS / NSLDS	FMS / NSLDS	FMS / NSLDS

Application, Origination & Disbursement

Legend:
- Stovepiped Legacy System
- Integration In Progress
- Integrated Solutions

14+ Stovepiped Systems → 0 Stovepiped Systems