

# FSA Integration Vision



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### Executive Summary

We have a plan to integrate our systems and improve our services in delivery of Title IV aid to America's students. Our Integration Vision is built on four strategic themes:

- ❑ organize and structure business processes as a financial services operation
- ❑ work with, and through, trading partners in the education and financial communities
- ❑ focus on customer service excellence, cost effectiveness and technology leadership
- ❑ perform functions as outlined in the original enabling PBO legislation

During 1998-1999 we shaped FSA's organization around improved customer service. In 1998, Congress chartered FSA as a performance based organization (PBO) reduce the overall cost of delivering federal student aid, integrate and modernize its aid delivery systems, and improve the integrity of its financial and management processes. We analyzed our existing business processes and system architecture to determine the course, sequence and potential impact of our systems integration program. We created a Virtual Data Center to centralize our production operations. We organized into three customer-focused channels, schools, students, and financial partners.

During 1999-2002 we built a foundation to support future systems and services. We created and implemented a Modernization Partner program and communicated our long-term future Blueprint to the public. We designed and detailed a new information technology architecture and implemented the infrastructure. A communications backbone based on middleware was created. Legacy systems and their data were connected to the backbone. Commercial financial management and internal controls software was acquired and deployed. A new integrated common origination and disbursement system for loans and grants was developed and the new middleware communications backbone made it possible to deploy quickly. We retired older "stove-piped" systems in the areas of telecommunications (TIVWAN), finances (FARS) and account data (CDS), allowing us to eliminate redundancies and streamline our operations.

Focusing on accuracy, efficiency and safety, in 2002-2003, we are continuing a new major wave of systems and data integration projects. We are developing a comprehensive approach to clean audits and internal financial and management controls to mitigate risks and improve reporting. We have reviewed, and prioritized, our Performance Plan projects against our four strategic objectives.

Throughout 2003 and until 2006, we will continue to integrate systems, data and resources as we further implement our multi-tiered information technology architecture. At the "end of the day" in 2006 we'll have created five new integrated systems and a new data architecture that replace 14 separate stovepipe systems with no coherent data structure and strategy. The six systems will cover aid awareness and application, aid origination and disbursement, common services to aid recipients, partner performance and eligibility management, financial management, and an overall data architecture and repository system.

We will draw resources from public and private, internal and external, environments and will organize these resources around customer-centric functions. The results will be integrated systems that provide

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seamless, cost-effective interactions and information to all our customers, creating a government agency dedicated to improving service and helping to put America through school.

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The Federal Student Aid office (FSA) manages the Title IV federal student aid programs and processes. FSA awards over \$50 billion in financial aid to post secondary students every year, including more than \$30 billion in new student loan, and more than \$7 billion in Pell Grants. FSA has a loan portfolio of more than \$100 billion, which makes it one of the largest commercial financial institutions in the U.S.

FSA does all this with an annual budget of approximately \$600 million and 1,200 employees, supported by 3,800 contractor personnel. Together, these 5,000 people operate and maintain the many systems and processes used by FSA to manage the Title IV federal student aid programs.

In the paragraphs below, we outline the Integration Vision: our current projects and our future initiatives.

### **1998-1999 – Shaping an Organization around Our Core Customers**

FSA was created in 1998 by Congress to bring new vitality and efficiency to management of the federal student loan and grant program. FSA was the first Performance Based Organization in the Federal Government, and was directed to integrate its many disparate legacy systems, improve service to its customers and employees, reduce its operating costs, and restore integrity to the systems and processes that manage the federal student aid, loan and grant programs.

### **Focusing A New Business Model on Customers**

We started by developing a future business model focused on our customers and implemented a corporate-like organization structure led by a COO, CFO, CIO and with General Managers leading key customer channels: Students, Schools and Financial Partners (See Figure 1: FY1998 FSA Business Model).

### **Creating Our Blueprint for Change**

A detailed analysis of FSA existing business processes helped us create a Framework for Modernization (illustrated in Figure 2 on the next page.) The analysis led us to the detailed requirements, illustrated in our first Modernization Blueprint in September 1999. This was the starting point for modernizing the management, delivery and accountability of FSA's Title IV programs.



The FSA Business Model, developed during the first year of the Modernization effort, is the continuing touchstone in FSA's evolution. Modernization and integration plans and development are based on this model. ♦

**Figure 1: FY1998 FSA Business Model**

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**1999-2002: Building a Technology Foundation to Support Future Services**

As an initial step in cutting costs and integrating systems, FSA created a Virtual Data Center in 1998 to house its core production systems in a single location.

**Getting Ready to Integrate from 14 to 6 Systems**

In fall 1999, FSA brought in a Modernization Partner to act as a business systems integrator and put the Modernization Blueprint into action. FSA created a roadmap to modernize FSA's legacy of over 14 separate aid delivery systems, and integrate them into approximately a half-dozen new systems over a four to six year period. FSA also pioneered value-based contracting to quickly reinvest early savings in subsequent initiatives.

FSA and its Modernization Partner assessed its technical and business situation and set

business and technical processes, and conducted strategic business and technology requirements sessions (see Figure 2: FSA Modernization Framework).

**Creating an Infrastructure for the Future**

Then FSA designed and implemented a new enterprise architecture and technical infrastructure. Commercial products were used to produce reliable results, fast. FSA used middleware software that lets existing systems "talk" to each other, as its backbone to start integrating more quickly than the costly replacement of old systems.

FSA's multi-tiered architecture starts with a "top tier" based on widely supported commercial standards, which makes it easier for external customers to connect to FSA electronically using interfaces that don't force customers to buy new technical resources. Some customers use leased telecommunications lines to connect directly to FSA through an enterprise application integration layer. Others customers reach FSA across the Internet and enter portals that makes their inquiries easy and accurate.

FSA's "middleware tier" uses new industry-recognized middleware and internally enhanced business applications to pull information from its multiple data stores into a single "logical" store of data. This "back-office" strategy allows FSA to deliver the right responses, faster

and more reliably than before, with a technical infrastructure that operates behind the scenes.

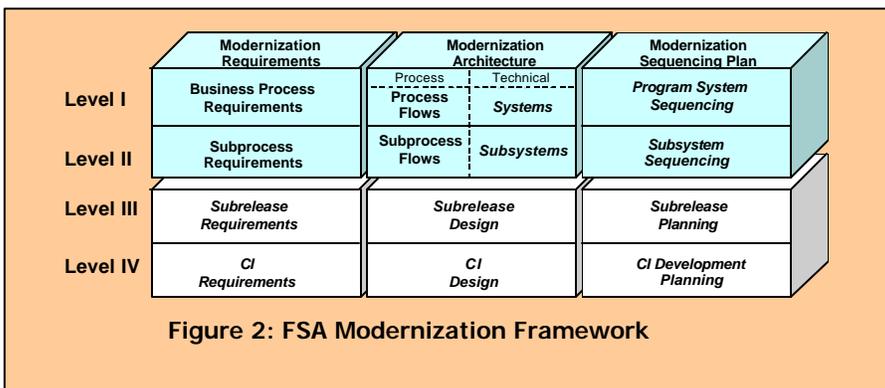


Figure 2: FSA Modernization Framework

goals for seamless aid delivery processing for its customers, increased integrity of its financial aid programs, reduced costs by using new technologies and the Internet all with a flat line budget. FSA reviewed its

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**Taking a New Look at Data**

During this same period, FSA also began to change the way it manages and uses its customer data.

First, we created a common data strategy and architecture. This established the groundwork for future data warehouses and an XML based common record currently used across a number of business processes in the financial aid delivery system.

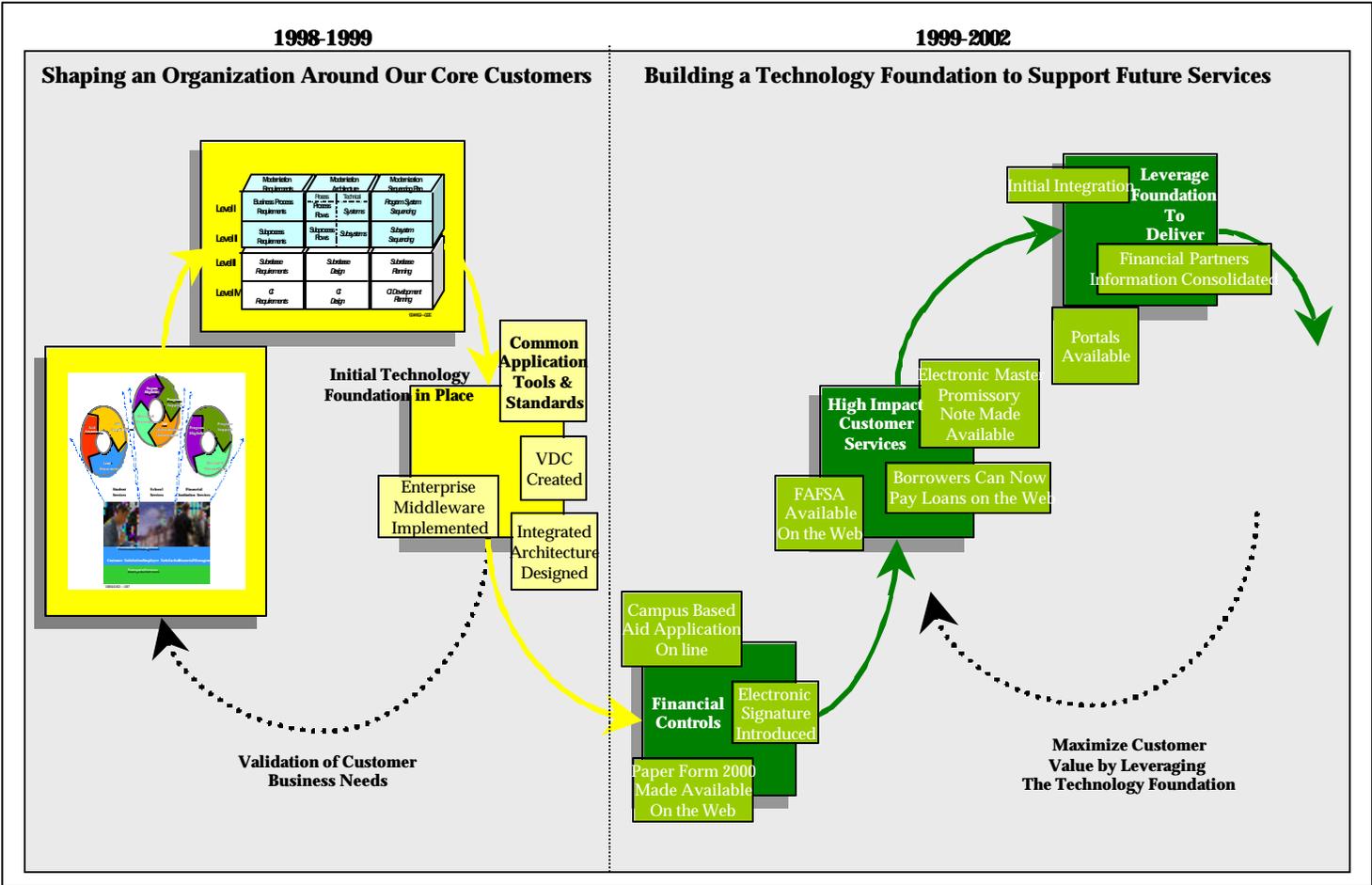
Second, we are creating a data structure that interweaves the outcomes of multiple key business processes. FSA will apply this data structure over its integrated suite of

new servicing solutions during the next four years to provide our customers with seamless interactions and help us reduce overall aid delivery costs.

Third, moving redundant processes onto the Internet lets us consolidate key paper-based business processes and move them onto the Web. Our business partners can exchange data with FSA faster, easier and cheaper electronically than using paper.

**Strengthening Financial Control and Integrity**

FSA installed industry-recognized federal financial software as its financial management system, and reengineered its



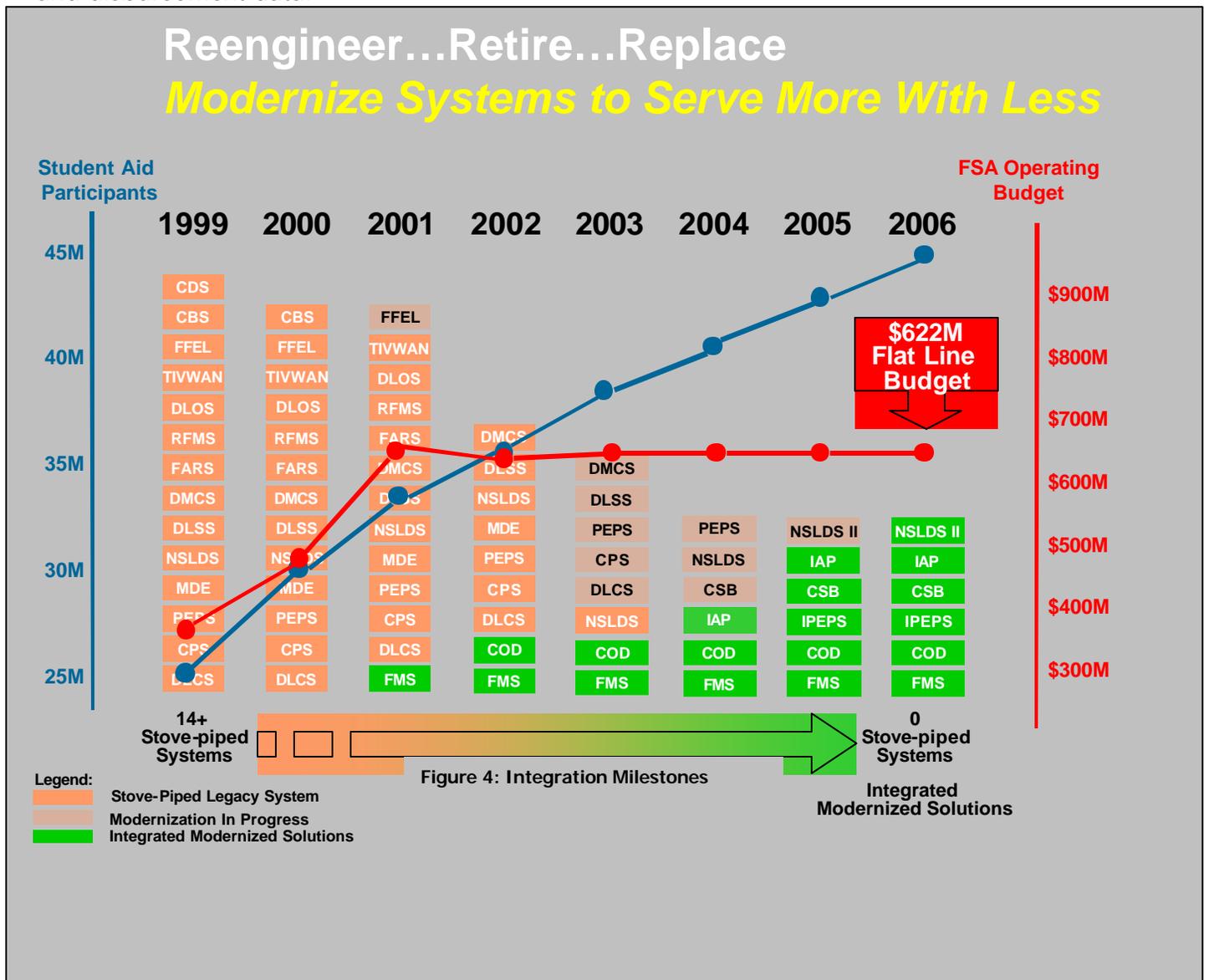
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management controls processes.

**Creating the First Big Integrated System**

FSA created a common origination and disbursement system. The first version went live in April 2002 with improved business delivery functionality enabling more than 6,000 FSA school partners to receive and provide critical loan packaging and disbursement data.

This first major integration effort included the integration of Pell Grant's Recipient Financial Management System (RFMS) and Direct Loan Origination System (LO) into a single origination and disbursement system using XML technology to standardize reporting transactions. This integration effort is resulting in the retirement of the RFMS and the LO systems by the end of fiscal year 2003.



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**2002-2003: Creating a Fresh Launching Pad for Tomorrow**

FSA has completed its modernized technology foundation. Now, we're poised to launch the next phase of modernization: integrating systems and data for accuracy, efficiency and safety.

**Auditing Finances and Managing Risks**

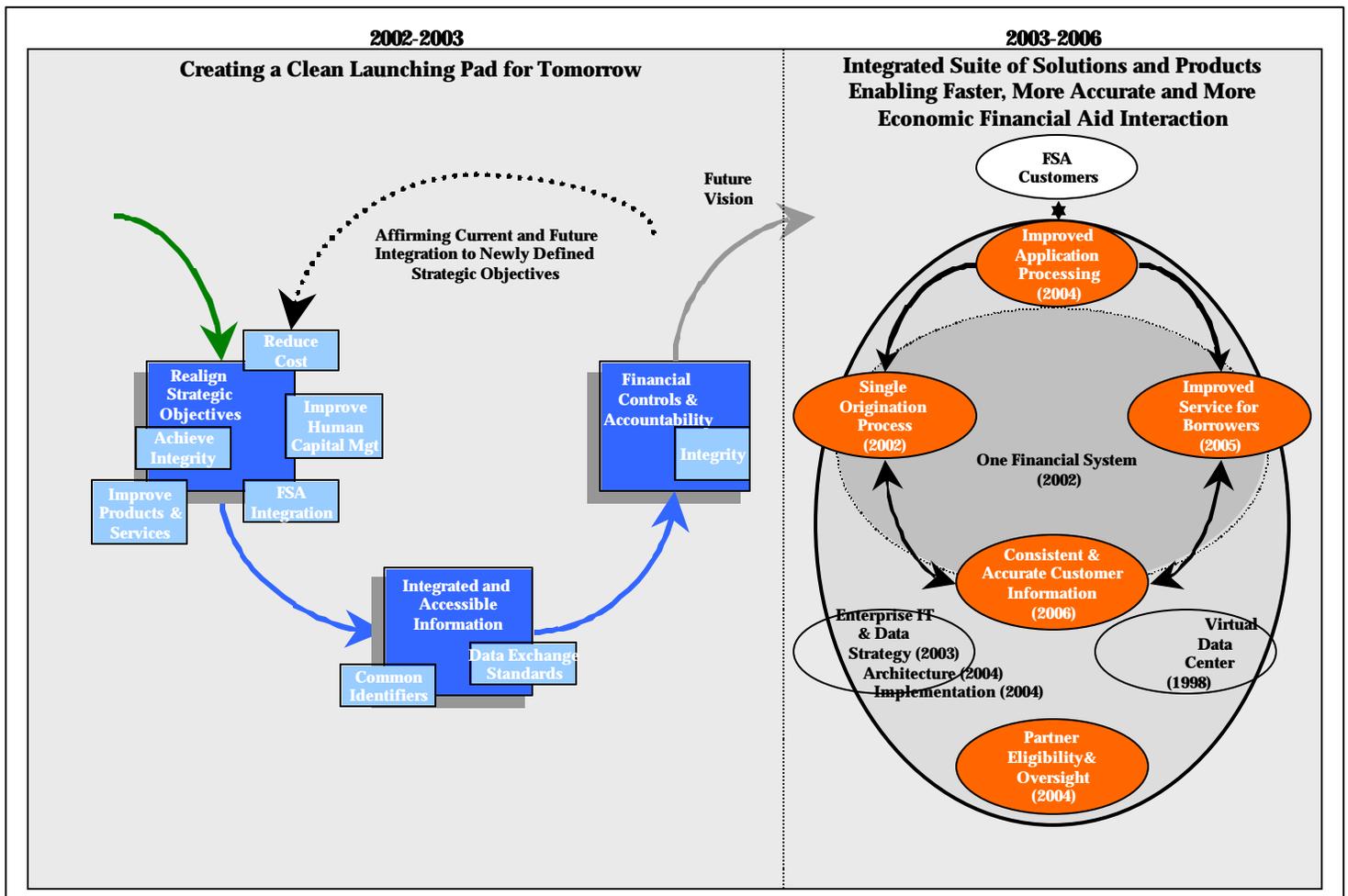
From late CY 2002 through 2003, FSA is focusing on the accomplishment of two specific goals: improving our financial processes to support clean audits and managing our assets to minimize risk. FSA is enhancing its interface with matching

financial systems used by the rest of the Department of Education.

**Setting the Stage with a New Strategic Performance Plan**

In late CY 2002, FSA developed a new strategic performance plan, prioritizing the initiatives needed to create a future integrated suite of federal student aid solutions. These strategic initiatives focus on three areas:

- ❑ Aligning our development projects with our five strategic objectives
- ❑ Providing integrated and accessible information to FSA's customers, so they can interact more efficiently and



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- effectively with the agency
- Sustaining financial controls to ensure program integrity.

The urgency of FSA's tasks is illustrated in the graph on the preceding pages - customer volume is increasing but operating budget is flat. The gap is growing and has to be closed with a more effective organization structure and operation.

### ***2003-2006: Integrate Systems and Data to Deliver Aid Faster, More Accurately and More Economically***

FSA will continue to integrate its systems and data to deliver federal financial aid faster, more accurately and more economically. New developments in each of the next four years will cumulatively contribute to an integrated environment by CY 2006.

#### ***Six Elements of our Integrated Business***

This future environment will include six elements that work together to benefit our student customers and trading partners.

- **Integrated Application Processing (IAP)** is a reengineered front-end customer interaction layer to ensure that FSA's customers receive fast aid application services and assistance, with the right answers, every time they contact FSA. We will put the first full-scale version into production in 2004.
- **Common Origination and Disbursement (COD)** is our electronic

process for delivering the right amount of money, to the right school, for the right student, "just in time." Enhanced financial tracking cuts reconciliation time and costs and helps schools plan their operating budgets more accurately. We went into production with version 1 on April 2002.

- **Common Services for Borrowers (CSB)** will be a new integrated suite of loan servicing, consolidation and collections capabilities. It reduces redundant (and confusing) services, improves efficiency and increases customer satisfaction by creating a common servicing platform for Title IV aid recipients. It includes major reengineering of our customer relationship management (CRM) processes. The first full-scale version will go into production in 2005.
- **National Student Loan Data System (NSLDS)** will be reengineered to help enhance the business functions of our trading partners, to rapidly determine student eligibility and to provide key financial aid information to answer questions from students, the Department, FSA's external partners and Congress. We'll put the next generation NSLDS II into production in 2006, after we determine the best data schema.
- **Financial Management System (FMS)** is our integrated accounting and finance management package from Oracle. We're constantly upgrading it, as new worthwhile developments are made to this popular commercial product. Many of our trading partners also use Oracle, and this makes data exchanges easier. We went into production with version 1 in 2002.

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- **Integrated Partner Eligibility Program** (iPEPs) will receive, store and feed information about performance to help trading partners manage their own business success. We'll go into production in 2004.
- **Enterprise Information Technology and Data** strategy, architecture and implementation is a continuing activity that underpins everything we do at FSA. Our new 2003 data strategy will be the foundation for our business processes. It will provide FSA's customers with the right standards, methodologies, and tools to enable them to participate in the aid programs. Some of these standards and tools will include a common XML framework; a consistent data strategy; a technical architecture strategy; common identifiers for FSA students, parents, borrowers, and schools and a Web services strategy to provide FSA with a consistent Web presence and Web capabilities for enhanced processing of aid transactions.

### ***An Integration Vision Based on a Suite of Aid Delivery Solutions***

To provide the right answer to its customers every time, FSA will look toward developing an integrated suite of systems that are capable providing seamless interactions and information. FSA will develop a technical infrastructure that is scalable, technologically sound and sufficiently flexible to enable and support new business processes and outcomes.

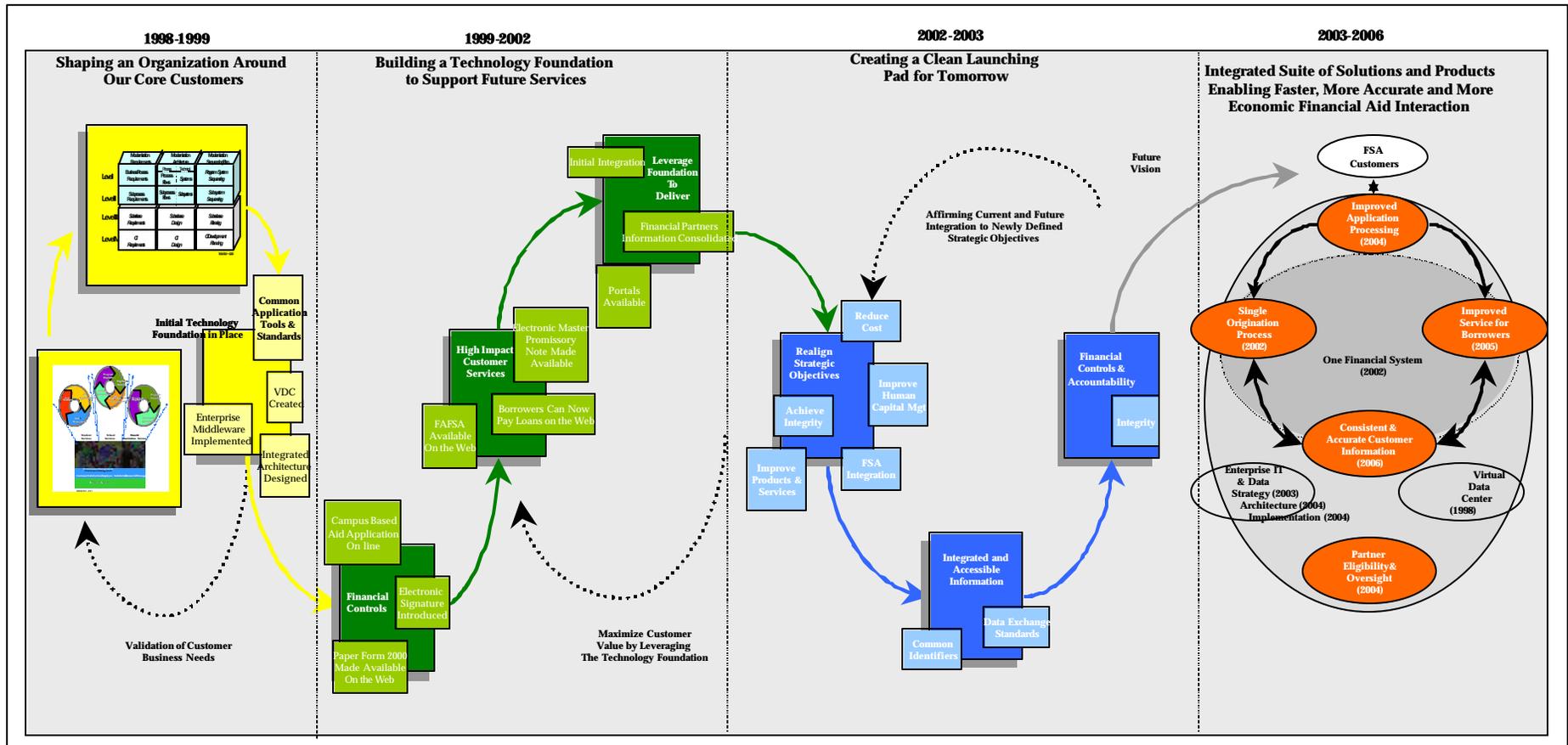
FSA will also create a new organization that is more cost effective, customer-centric, and uses a mix of resources drawn from both the public and private sectors. FSA will increase internal staff capabilities to create an organization flexible enough to respond to the needs of its customers, safeguard the public's trust and protect the integrity of its systems and business functions.

These goals are all part of a new strategic direction focused on results, demanding accountability and providing efficient service.

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**FSA Integration Vision Roadmap**

The Integration Vision Roadmap demonstrates FSA's progress on its initial modernization journey to its future integrated state of products and services centered on FSA's core customer groups.



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The table below outlines FSA modernization and integration accomplishments and future goals.

<b>1998-1999</b>	<b>1999-2002</b>	<b>2002-2003</b>	<b>2003-2006</b>
<b>Shaping an Organization Around Our Core Customers</b>	<b>Building a Technology Foundation to Support Future Services</b>	<b>Creating a Clean Launching Pad for Tomorrow</b>	<b>Integrating Suite of Solutions and Products to Enable Faster, More Accurate and More Economical Financial Aid Interaction</b>
VDC	eCampus Based	FAFSA 7.0	Common Services for Borrowers (CSB)
EAI Middleware Architecture	eSignature	eAudit	NSLDS II
Integrated Technical Architecture (ITA)	FOTW 6.0	Security and Privacy Architecture	IPEPS
EDExpress	Form 2000	Integrated Data Strategy	Integrated Application Processing (IAP)
Student Aid Report (SAR) can be requested over the Web	e799	XML Standards and Tools	
Organization Redesign	FMS	Common Identifiers (Student & School)	
	COD	Integration Foundation	
	LEAP/SLEAP	Retire RMFS	
	eServicing	Retire DLOS	
	FP Data Mart		
	CM Data Mart		
	eMPN		
	SAIG		
	Schools Portal		
	Student Web Portal		
	Financial Partners Web Portal		
	Learning Management System		
	Loan Servicing Web Site		
	Ombudsman		
	Retired CDS		
	Retired CBS		
	Retired TIVWAN		
	Retired FARS		

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