

TO: Secretary Paige  
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid  
RE: FSA Weekly Report  
DATE: January 21, 2003

## KEY NEWS

### **PROGRAM INTEGRITY**

**Emergency Action Imposed and Termination Action Initiated:** On January 7, 2003, Administrative Actions and Appeals sent a notice to the California Institute of Customer Engineering in Ontario, CA, imposing an emergency action and initiating a termination action against the school, based on its loss of accreditation, effective January 3, 2003. The school was accredited by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT). The school has until January 30, 2003, to appeal the termination action.

**Emergency Action Imposed and Termination Action Initiated:** On January 9, 2003, Administrative Actions and Appeals sent a notice to Desert Career College, Palm Springs, CA, imposing an emergency action and initiating a termination action against the school, based on its loss of accreditation, effective January 6, 2003. The school was accredited by the Accrediting Commission of Career Schools and Colleges of Technology (ACCSCT). The school has until February 3, 2003, to appeal the termination action.

### **STUDENT AID OPERATIONS**

**Partner Services:** FSA met with representatives from Citibank on January 8, 2003, to discuss Citibank's intentions to seek "Exceptional Performance" status. This status means that the lender has a high level of compliance with due diligence. If Citibank receives "Exceptional Performance" status, they will receive 100% insurance on their claims, instead of the 98% that other lenders receive, and will continue to prove their ongoing level of high compliance through audits. Citibank is the first to apply for this status since it was created in 1997. Financial Partners' staff responded to Citibank's questions and will be working with the OIG on any follow-up issues.

**eZ-Audit System:** On January 9, 2003, the eZ-Audit project team briefed senior FSA and OPE management on the eZ-Audit System. This Web-based system will replace the manual process that Case Management and Oversight currently uses to receive compliance audits and financial statements from postsecondary institutions.

**Pell Grant Unprocessed Deobligations:** Pell Operations staff held a conference call with GAPS staff to discuss the status of the Unprocessed Deobligations. On February 17, GAPS will place all schools who have not resolved their Unprocessed Deobligations on stop pay for all programs (with the exception of Direct Loans because it is an entitlement

program). The stop pay action is in response to a letter that the Department sent out on November 13 to over 500 schools in the Pell Grant program informing them that, after two warning letters, their accounts will be put on stop pay unless they get their negative balances resolved. As of January 14, a total of 477 schools in the Pell Grant and Campus Based programs have Unprocessed Deobligations. For Pell Grants, the award years are 2000-2001 and prior, while for Campus Based, the award years are 1999-2000 and older. Of this number, a total of 292 schools have contacted either the Pell Grants hotline or GAPS and are actively working on a resolution. GAPS will exempt these schools from the stop pay measure. This leaves 185 schools in danger of being put on stop pay. Once they are put on stop pay, GAPS will remove the stop if the school shows a good faith effort to resolve their Unprocessed Deobligation.

**FY 2000 Cohort Default Rates:** After FSA released the FY 2000 cohort default rates in September, we received 52 notices of intent to appeal and/or requests for an adjustment. FSA has completed its review of all 52 appeals and/or requests. FSA created a Web site (<http://www.ed.gov/offices/OSAP/defaultmanagement/dmdool.html>) to identify schools that win their adjustment/appeal.

## **E-GOVERNMENT**

**GovBenefits:** FSA serves as the Department's representative on GovBenefits, an e-gov initiative in the President's Management Agenda. FSA hosted the government-wide monthly meeting in Union Center Plaza on Monday, January 13. The group discussed a new tool to enable government agencies to manage Web content themselves. (FSA "pre-tested" this functionality for GovBenefits several months ago during its development.) GovBenefits supplied a list of possible Education initiatives to consider including on the Web site. FSA will coordinate with other department offices to confirm whether the programs are appropriate candidates for the Web site, as well as gather content for the site.

**eLoans:** On January 10, the eLoans team met with Assistant Secretary Bill Leidinger to discuss the next steps to obtain funding and staffing commitments. He plans to share funding issues with Deputy Secretary Bill Hansen as part of the continuing resolution budget discussions. The team met with the Department of Labor on January 16 to discuss making the eLoans Gateway a sub-site of GovBenefits.

## **RESOLUTION OF KEY ISSUES**

Nothing to report.

## **PUBLIC AFFAIRS**

**NBC Nightly News:** On January 16, 2003, NBC Nightly News aired a segment on the recent GAO report on foreign schools. The piece highlighted GAO's undercover investigation in which it created a fictitious school and students and received preliminary

approval to participate in the federal loan program. Working with OPA, COO Terri Shaw issued a statement in response to the report.

### **ON THE HORIZON**

**Internal Review: Entrance Conference – Debt Collection Agency Contractors.** The OIG is initiating an audit of debt collection agency contractors. The objective of the audit is to determine the effectiveness of monitoring activities for these contractors. FSA is in the process of scheduling an entrance conference for the first week of February with FSA staff responsible for monitoring the contracts (Contracting Officer's Representatives) and OCFO staff responsible for administering the contracts (Contracting Officers).

### **CONTACT INFORMATION**

Please contact Karen Freeman at 377-4001 with any questions.