

TO: Secretary Paige  
FROM: Acting COO Candy Kane  
RE: FSA Weekly Report  
DATE: June 10, 2002

### **THE WEEK AHEAD**

**FSA Electronic Records Management Pilot:** On June 13, Phase 2 of the Electronic Records Management (ERM) pilot will kick off. The project team will begin by developing requirements and the design.

### **KEY NEWS**

**New General Manager of Financial Partners:** Kristie Hansen will become the new General Manager for the Financial Partners Channel on July 1. Hansen currently is Executive Vice President for the National Council of Higher Education Loan Programs (NCHELP). Hansen replaces John Reeves, who resigned effective June 7. Financial Partners Chief of Staff Johan Bos-Beijer will serve as Acting General Manager until Hansen arrives.

**IRS Verification Legislation:** ED, Treasury, and OMB have agreed on final legislative language to amend the Internal Revenue Code to allow for routine data matches between ED and the IRS to verify income reported on the FAFSA. On June 6, the legislative language was sent to the Joint Committee on Taxation to be considered by Congress.

**Audit of Cohort Default Rates:** On June 5, staff from OIG met with FSA and OPE for an entrance conference for this audit. The objective is to determine if annual cohort default rates (CDRs) for FY 1996-1999 provide sufficient information for defaults in the Title IV loan programs. OIG will review (1) how rates are calculated, (2) what data elements are included in the rates, (3) if the 1998 Amendments changing the definition of default from 180 to 270 days pushed loans out of the cohort into the beginning of the next year, (4) if forbearances and deferments pushed loans out of the cohort, (5) the uses of the rates by the Department, (6) the amount of reinsurance claims paid for defaults during the periods covered by the review, and (7) the CDR data for trends. OIG anticipates the audit will continue through 2002.

**Cash Reconciliation:** As part of the reconciliation team project effort, FSA Accounting Division corrected \$60 million of IRS Refund Offset transactions from the Treasury Suspense Account. This reduced FSA's unmatched cash transactions for FYs 2001 and 2002 (to date).

**Settlement Agreement:** ED and Middle Tennessee State University (MTSU) of Murfreesboro, Tennessee, have agreed to settle a False Claims action filed by DOJ in November 2000. MTSU will, over four years, pay ED \$794,055 plus interest. The repayment is based on illegal payments in Pell Grants (\$473,226) and Supplemental

Educational Opportunity Grants (\$320,829) to students who were not eligible to receive them during award years 1993-1997.

**RESOLUTION OF KEY ISSUES**

Nothing to report.

**PUBLIC AFFAIRS ACTIVITIES**

Nothing to report.

**REGULATORY ACTIVITIES**

Nothing to report.

**POLICY DOCUMENTS**

Nothing to report.

**GRANT ACTIVITIES**

Nothing to report.

**ON THE HORIZON**

**eGov 2002:** This year's eGov conference runs June 24-27. FSA CIO Steve Hawald and Students Channel General Manager Jennifer Douglas will host a session on FSA's IT innovations that benefit students and aid delivery. The conference is at the Reagan building in downtown Washington.

**National Default Prevention Day:** FSA's second annual National Default Prevention Day will be held on August 1. The one-day program, held in FSA's regional offices, Washington, and Puerto Rico, trains financial aid administrators and other partners in the variety of tools available to help them manage and prevent defaults.

**CONTACT INFORMATION**

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

Karen Santos Freeman  
Communications Director  
Federal Student Aid (FSA)  
U.S. Department of Education  
(202) 377-4001  
(202) 275-0916 Fax  
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