

TO: Secretary Paige
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid
RE: FSA Weekly Report
DATE: November 12, 2002

THE WEEK AHEAD

Nothing to report.

KEY NEWS

PROGRAM INTEGRITY

FSA Reconciliation Team Efforts:

- **Reconciliations:** The team walked Ernst & Young/OIG audit teams through FMS (FSA's Financial Management System) to FMSS (ED's Financial Management System) reconciliations of cash disbursement and cash receipts. Direct Loan reconciling items have been researched and corrections initiated. FFEL (Federal Family Education Loan) reconciliations have been identified and will be researched after completion of the Advance Account research.
- **Advance Account:** The team worked with OCFO to successfully resolve differences between FMSS and GAPS (Grant Administration and Payment System). FSA continues work to resolve the reconciling differences between FMS and FMSS for the Direct Loan Advance Account. ED CFO Jack Martin has asked to be updated continuously with progress on this account.
- **Debt Collection Principal and Interest Accounts:** The team met with Students Channel management and Raytheon to continue researching differences between DCS (Debt Collection System) and FMS/FMSS.

Termination of School's Eligibility: On October 31, ED/FSA sent notice to East Kentucky Beauty College of Pikeville, Kentucky, terminating the school's Title IV eligibility due to loss of accreditation.

LEAP/SLEAP Performance Reports: The due date for LEAP/SLEAP (Leveraging Educational Assistance Partnership/Special Leveraging Education Assistance Partnership) program performance reports has been moved to November 22, granting all states extensions on the filing date. So far, only 14 of the 53 state educational agencies have submitted their reports. FSA continues to provide technical assistance to help the programs report.

COLLABORATION ON PROGRAM INTEGRITY

Resolution of Difference: FSA CFO is working with OCFO, Budget Service, and FSA's Financial Partners Channel management to determine resolution of the cumulative difference between the guaranty agencies and ED, which was noted by auditors last year. CFO has requested guidance be solicited from Tom Luter and Ron Longo, both leading Credit Reform experts, on the preferred accounting treatment. (Luter currently is an independent consultant, and Longo is with Bearing Point, formerly KPMG.)

“ONE GOVERNMENT” COLLABORATION

Veterans Affairs: On October 30, FSA staff had a follow-up meeting with the Department of Veterans Affairs (VA) to discuss the eligibility of a foreign school with which both VA and ED have issues and concerns. VA approves funding for eligible students to attend foreign postsecondary schools, many of which are also Title IV-approved schools. FSA granted VA access to PEPS (Postsecondary Education Participation System), and VA says it’s finding the access useful. In line with the “One Government” initiative, VA is currently reviewing its eligibility requirements to consider using FSA’s determinations of school eligibility as meeting its requirements, which will enable VA to streamline its school review procedures.

STUDENT AID OPERATIONS

Pell Grant Program:

- **Status of Processing:** For the 2002-03 award year, staff continue to work through start up issues with COD (the Common Origination & Disbursement system) that sometimes result in emergency increases. Schools on the reimbursement funding method are having an especially difficult time getting their funding increases.
- **Status of Unprocessed De-obligations:** On October 31, staff met with EDCAPS staff to review OGC comments to the third and final warning letter to schools concerning their Unprocessed De-obligations (formerly referred to as Negative Available Balances). The transactions are created in GAPS when Pell Operations processes and sends obligation decreases to GAPS that exceed the amount of the net draw down as reported in GAPS. If the schools do not respond, ED will place the schools on stop pay early next year. About 633 schools have been targeted for the final warning letter.

AUDITS

OIG Audit Related to Access, Disclosure & Use of SSNs: On October 31, OIG issued its final audit report on ED controls over the use of Social Security Numbers (SSNs) by third parties. OIG found ED makes legal and informed disclosures of SSNs but that some improvements are needed over contractor access and use of SSNs.

CONFERENCES

First 2002 EAC: The first of two 2002 Electronic Access Conferences (EACs) was held November 4-7 in Orlando. OPE’s Assistant Secretary and Deputy Assistant Secretary, as well of other OPE staff, participated along with FSA. About 1,300 people, mostly representing schools, attended.

Software Developers Conference: Following the EAC, FSA CIO hosted a Software Developers Conference in Orlando. The meetings are designed for third party software developers who create financial aid software for schools. About 115 people attended.

ON THE HORIZON

Electronic Access Conference: The second 2002 EAC will be held December 3-6 in Las Vegas. About 1,700 people have registered.

CONTACT INFORMATION

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