

TO: Secretary Paige  
FROM: Theresa S. Shaw, Chief Operating Officer, Federal Student Aid  
RE: FSA Weekly Report  
DATE: December 9, 2002

### **THE WEEK AHEAD**

**Shaw to Speak at SWASFAA:** On December 12, COO Terri Shaw is scheduled to speak at the Southwestern Association of Student Financial Aid Administrators (SWASFAA) meeting in Houston.

**High School/TRIO Videoconference:** On December 12, FSA will broadcast its annual satellite videoconference for high school and TRIO guidance counselors. The videoconference, entitled “Applying for 2003-04 Federal Student Aid: Easy as 1, 2, 3,” is scheduled for 1:00 to 3:00 p.m. EST. Participants may register and downlink the videoconference at [edvideo.walcoff.com](http://edvideo.walcoff.com).

### **KEY NEWS**

#### **HIGH RISK MANAGEMENT**

**Request for Removal of GAO High Risk Designation:** FSA is drafting a formal request that GAO remove student aid programs from its High Risk list. This following a November 25 meeting in which Jack Martin, CFO, the COO and ED staff briefed GAO regarding ED’s belief that the FSA program high risk designation should be removed because of successful management of the inherent risk. The draft request will be forwarded to Executive Secretariat this week.

#### **PROGRAM INTEGRITY**

##### **Accounting:**

- FSA CFO Completed and submitted to ED on December 3 a flux analysis for major line item changes between FY01 and FY02 for FSA financial statements. The focus of analysis was the FFEL and Direct Loan programs.
- FSA CFO staff met on December 5 with Raytheon representatives to review the detailed project plan for resolving longstanding internal control issues related to cash and non-cash transactions and business processes.
- Staff are developing procedures to be distributed to all feeder system contractors directing them on the methodology to correct all major internal control issues associated with cash reporting to FMS.

**Form 2000 Enhancements:** FSA is moving its final draft of the business case justification for enhancements to Form 2000 through its internal approval process. The next step is FSA’s Decision Support Group, then FSA’s Investment Planning Committee, before going on to the ED Investment Review Board. The electronic “Form 2000” was implemented in October 2000. Proposed enhancements permit guarantee agency

reporting and invoicing. FSA considers these modifications critical to the improvement of FSA program integrity.

**Termination of Eligibility:** On November 27, FSA sent notice to King's Career College in Baton Rouge, terminating its eligibility to participate in the Title IV programs, based on its loss of accreditation, effective October 15. The school had been accredited by the Accrediting Bureau of Health Education Schools. The school initially appealed the October 15 emergency action and termination action but on November 22 withdrew its appeal request.

**Settlement Agreement:** On November 21, FSA executed a Settlement Agreement with MBTI Business Training Institute of Milwaukee to settle pending administrative actions and the open program review. MBTI agreed to withdraw from Title IV program participation effective March 29, and pay a total of \$413,484.82 within 10 days to settle all claims arising from the pending actions and the July 9 Final Program Review Determination. Seiji and Sandra Suzuki agreed to relinquish ownership and be excluded from participation in any ED program for five years. ED agreed that MBTI may present proof of accreditation and submit an electronic application for reinstatement of Title IV eligibility to begin no sooner than September 1, 2003. MBTI agreed to submit an audit report for the period September 1, 2000, to August 31, 2001, and a closeout audit report for the period September 1, 2001, to March 29, 2002. After submission and acceptance of the audit reports, ED will honor MBTI's pending requests for funds under the reimbursement system of payment upon submission of appropriate documentation specified by ED and subject to offset against any liabilities. The department will retain, and MBTI will renew, if needed, the \$1,479,000 letter of credit currently in force, until all liabilities are paid.

**Settlement Agreement:** On November 8, FSA executed a Settlement Agreement with Sanford Brown College in Fenton, Missouri, to settle the October 11 fine action against the school. The school agreed to pay \$177,600 to the Department to resolve the action, which was based on the school's violations of refund regulations, as cited in a February 6 Final Audit Determination and two prior audit reports.

**Audit Determination Appeal:** On November 14, Judge Richard O'Hair issued his decision in an audit determination appeal case involving the Climate Control Institute in Wichita. The judge ordered the school to pay the full liability of \$774,167 to the Department based on its failure to submit a closeout audit report after closing on November 2, 1998. The judge based his ruling in part on the school owner's guilty plea relating to failure to pay refunds and the resulting restitution order to pay the Department \$120,000. The parties have 30 days from receipt of Judge O'Hair's decision to seek review by the Secretary.

## **STUDENT AID OPERATIONS**

**Largest EAC Ever:** The Electronic Access Conference (EAC) in Las Vegas last week drew about 2,100 school and other attendees, making it the largest conference FSA has ever hosted.

### **RESOLUTION OF KEY ISSUES**

**Resolution of Internal Control Weakness:** FSA CFO staff met December 5 with EDS representatives to resolve a longstanding internal control issue related to consolidation transactions. A solution was established to correct an internal control weakness related to consolidation transactions posted to FMS/FMSS. This solution will allow disbursement and collection consolidation transactions to net to zero as intended. This issue was recognized in the FY01 CFO Audit Report as contributing to a material internal control weakness associated with ED's cash process.

### **ON THE HORIZON**

**Default Conference:** FSA's joint Eastern/Northern region Default Aversion Conference is scheduled for December 17-18 in Indianapolis. USA Funds, Inc. is the primary co-sponsor, with other guaranty agencies volunteering support.

**AOL GovernmentGuide:** Students.gov, working with the Students Channel and Communications, has provided AOL's "GovernmentGuide" with an outline of links and resources for use in a January feature on the federal student aid application process. Based on our past experience with GovernmentGuide, we anticipate a large increase in visits to students.gov and other featured sites after the feature appears on AOL.

### **CONTACT INFORMATION**

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