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# Introduction

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## PURPOSE

*The Blue Book* is intended to provide guidance to those offices and individuals responsible for managing, keeping records of, accounting for, and reporting on the use of federal funds at institutions that participate in the Title IV, Federal Student Aid programs (FSA programs). The majority of these functions traditionally have been vested in a school's fiscal offices – business office, comptroller, and treasurer. However, all offices at participating institutions share the fiduciary responsibility for safeguarding federal funds and ensuring they are used as intended. Therefore, it is our hope *The Blue Book* will be used as a technical resource by all who administer and manage FSA program funds.

For the most part, *The Blue Book* will address the rules and procedures that schools must follow in requesting, maintaining, disbursing, and otherwise managing funds under the Pell Grant, FSEOG, Perkins Loan, FWS, Direct Loan, and FFEL programs. However, there are other aspects of a school's participation in the FSA programs that require the involvement of those school offices that manage program funds. For example, a school's business office must be familiar with and follow the institutional eligibility rules on *prohibited associations* and *contracting with third-party servicers*. Therefore, *The Blue Book* will also provide brief descriptions of those general FSA program requirements with which fiscal offices should be familiar.

You can find more complete coverage of those FSA program requirements that *The Blue Book* addresses only briefly (as well as those not covered at all) in a companion publication – *The Federal Student Aid Handbook (Handbook)*. The *Handbook*, published each year by the Department and distributed to school financial aid offices, is a primary resource for financial aid administrators. You can place an online order for a printed copy of the *Handbook* through the Department's publications (ED Pubs) Web site at

[www.ed.gov/FSA/services/fsapubshome.html](http://www.ed.gov/FSA/services/fsapubshome.html)

If you can't wait for a printed copy, or if the supply has been exhausted, you can download a copy of the Handbook from ED's Information for Financial Aid Professionals (IFAP) Web site at

<http://ifap.ed.gov/IFAPWebApp/index.jsp>

### **Other important resources**

The Department provides instructions, references, manuals, and training guides on the fiscal management and the electronic processes that schools use in administering the FSA programs. You can find descriptions of and instructions on locating these materials in *Appendix C – References*, and *Appendix D – Technical Resources and Assistance*.

## **WHY FISCAL MANAGEMENT MATTERS**

Fully one-half of the most common findings in annual audits and program reviews are related to functions performed by the business office. By encouraging all those who work with FSA funds at your school to –

1. follow the guidance included in *The Blue Book*;
2. use *FSA Coach* to gain a basic understanding of the Title IV programs (see Appendix D);
3. use the *FSA Self-Assessments Tool* to improve their management of the FSA programs (see Appendices D and F); and
4. attend annual training offered by state, regional and national financial aid and business officer associations, and the Department –

you can help ensure that your school will satisfactorily fulfill its fiduciary responsibilities in FSA program management, and avoid serious program review and audit findings.

## **USING THE BLUE BOOK AT YOUR SCHOOL**

*The Blue Book* can be used in variety of ways. For example, it can serve as a –

- training guide for new employees (especially in conjunction with ED's – Fiscal Training Workshops, FSA Coach, and the FSA Assessment Modules;
- reference manual for employees; and
- basis for the fiscal portion of a school's *Policies And Procedures Manual*.



When using this book, remember, it is only a guide. It does not replace federal laws, regulations, or generally accepted accounting principles (GAAP). If you are responsible for managing any part of your school's FSA program, you must be familiar with all of the relevant primary source documents.

## **Symbols and margin references**

Some procedures discussed in *The Blue Book* are recommended to help institutions meet the fiscal responsibilities they agree to when they sign a Title IV Program Participation Agreement (PPA) with the U.S. Department of Education (ED/The Department). Other procedures are required by federal laws and regulations. If we are describing procedures required by law or regulation, we will provide you with the source of that requirement. For example, when we discuss the requirement that, for a student who withdraws from school before the end of the period for which he or she has received FSA program funds, the school must determine the funds earned by the student, we will note the source as in the margin on the right.



We will use the book icon to indicate published references and to direct the reader to specific regulations and other resources of interest (some of which might also be available electronically).



The computer icon indicates references available electronically, and directs readers to Web sites of particular interest.



The New icon indicates newly available Web sites and print resources, as well as new program guidance.

When the text represents a clarification rather than a change in policy, we indicate that with

**Clarification**

When we believe that historically there might be some misunderstanding of a requirement, we indicate that with

**Reminder**

Finally, information that we wish to emphasize, or to which we want to draw your attention will be indicated with

**Important**

or

**Tip**

### **Treatment of Title IV funds when a student withdraws, cite**

34 CFR 668.22



## EFFECTIVE DATE

This edition of *The Blue Book* is based on laws, regulations, policies, and procedures published before July, 2005 and in effect for the 2005-2006 award year. However, schools should be aware that these laws, regulations, policies, and procedures are subject to change. It is a school's responsibility to stay informed of such changes so that it remains in compliance with current rules. Regular updates and changes in policy guidance are posted on a daily basis on ED's IFAP Web site.

## COMMENTS AND SUGGESTIONS

Your comments and suggestions about The Blue Book are welcome. We are particularly interested in learning:

- the purposes for which The Blue Book is being used (for example, reference, self-study, training new staff);
- the appropriateness of the content and the usefulness of the appendices; and
- whether you feel this publication should be updated on a regular basis.

You may send your comments to

**The Blue Book  
The U.S. Department of Education  
FSA Application – School Eligibility and Delivery Services  
Research and Publications Group  
UCP 830 First Street, NE  
Washington, DC 20002**

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