Direct Loan Quality Assurance Planning Guide

U.S. Department of Education
Office of Postsecondary Education
Student Financial Assistance Programs

THE DIRECT LOAN

QUALITY ASSURANCE PLANNING GUIDE:

1999-2000

Ensuring Continuous Improvement
in the Delivery of Student Financial Aid

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Information contained in this guide, including *suggested* management assessment worksheets, will also be provided on diskette to add flexibility in the actual use of this guide by institutions. Further, the format of the management assessment worksheets may be changed or expanded to best fit institutional needs.

INTRODUCTION

Leading organizations are finding that by incorporating quality improvement concepts into their planning and operations, managers can better respond to the needs of their customers while improving the quality of their services. Many financial aid administrators are integrating into their office operations widely recognized quality improvement practices, such as strategic planning, employee involvement, and structured problem-solving. Given the changing nature of student financial aid, these quality improvement practices can be an important means of offering better services to our primary customers—the student aid recipients.

Since 1985, many postsecondary institutions have been working in partnership with the U.S. Department of Education (ED) in testing the basic methodology of continuous quality improvement in administering the Title IV Student Financial Assistance Programs. The Institutional Quality Control Pilot Project demonstrated that quality management techniques and practices can assist institutions in achieving high quality financial aid operations and improve the accuracy of awards to students. The pilot's success has been recognized through the inclusion of the Quality Assurance Program (QAP) as part of the 1992 amendments to the Higher Education Act. Further, Congress authorized in the Direct Loan Program statute the requirement that participating institutions implement a quality assurance (QA) system. The requirement also appears in the Federal Code of Regulations at 34 CFR 685.300(b)(9).

ED has developed this *Quality Assurance Planning Guide (QA Planning Guide)* to assist Direct Loan institutions in establishing quality assurance systems within their financial aid office operations. The quality assurance system described in this document is patterned after the Quality Assurance Program, but it is more specifically focused on activities required for direct lending. Inquiries about the Direct Loan Quality Assurance System should be directed to the regional office of the Direct Loan Account Management Group that services your institution.

The QAP system is Title IV-wide in scope and provides greater management flexibility to participating institutions through regulatory waivers. Institutions wishing to learn more about the Quality Assurance Program are encouraged to contact*:*

> Performance and Accountability Improvement Branch
> Office of Student Financial Assistance
> U.S. Department of Education
> (Attn: Quality Assurance Program)
> 400 Maryland Avenue, S.W.
> ROB-3, Room 3925
> Washington, D.C. 20202

> **(202) 260-4788**

Objectives of ED's Quality Assurance Efforts

The goal of the quality assurance system in the Direct Loan Program is to promote excellence in institutional administration of direct lending. To be effective, the steps for implementing a Direct Loan QA system take into account variations in characteristics and needs among institutions. As a result, both the interests of the federal government and institutions are served because institutions are designing and implementing resource-effective and institution-specific procedures and policies. This should result in improved institutional stewardship of federal funds and improved award accuracy.

Through self-assessment, institutions can identify any deficiencies and address them with management improvements.

These actions will enhance performance by reducing or eliminating areas of vulnerability. In the process, institutions are able to:

- understand and comply with Direct Loan Program and certain other Title IV requirements, and integrate these requirements effectively into financial aid office processes and procedures;

- develop innovative management approaches tailored to institutional characteristics, and create an organizational environment supportive of continuous improvement of quality; and

- work cooperatively with ED as the institutions take on the responsibility for quality improvement at the point where funds and services are delivered.

Institutions can meet the QA requirement in the Direct Loan Program by conducting any one of the following options:

1) Completing the Direct Loan Management Assessment contained in the QA Planning Guide and implementing corrective actions; or

2) Completing the Title IV Management Assessment contained in the QA Planning Guide and implementing corrective actions; or

3) Running the Measurement Tools contained in the EDExpress Software and assessing the results in order to implement corrective actions; or

4) Utilizing the NASFAA Self Assessment Guide; or

5) Utilizing any comparable quality assurance methodology or analysis tool.

Note: Institutions participating in ED's Quality Assurance Program (QAP) and the Direct Loan Program are not required to complete the Direct Loan Management Assessment or adopt any additional self-assessment. These institutions will complete the Title IV Management Assessment worksheets prescribed by ED's QAP.

Using the Quality Assurance Planning Guide

This guide has been organized into five steps that are based on *suggested* key quality improvement practices as they relate to the role of the financial aid administrator. The steps focus on meeting the needs of the primary customer of the financial aid office—the student recipients of loans, grants, scholarships, and work-study funding. The steps are progressive, with each step building on the step that precedes it. A brief description of each step follows:

- **Step One—Setting the Direction** emphasizes the importance of developing an overall strategy for establishing a quality assurance system and understanding the needs and expectations of students. It entails mobilizing the support of institutional leaders and assessing the resources that will be available to conduct quality assurance activities.

- **Step Two—Involving Staff** addresses the importance of identifying the appropriate staff members within the financial aid office and in other offices on campus who should be involved in initiating and maintaining the QA system. It also emphasizes the importance of clear communication, teamwork, and recognizing contributions of staff.

- **Step Three—Assessing Operations** describes how to conduct an evaluation of office operations using an assessment instrument. It provides a method for periodically evaluating financial aid procedures against federal requirements and for identifying areas that need improvement.

- **Step Four—Taking Action** helps institutions use the results of the assessment to remedy areas of vulnerability and implement new procedures to improve financial aid office operations. It assists financial aid administrators to schedule and monitor identified improvement activities.

- **Step Five—Reviewing Progress** describes both the use of the assessment results as a baseline for continuous improvement and the recurring assessment activities institutions will perform in subsequent years. It also provides an overview of networking opportunities with other direct lending institutions. *There is no reporting requirement to ED. Institutions will maintain documentation concerning its quality assurance system in a QA Master File at the institution.*

STEP ONE—SETTING THE DIRECTION

Implementing a quality assurance system for the Direct Loan Program presents a unique opportunity. It will allow institutions to help ensure a successful student financial aid system using approaches that are suited to individual institutional characteristics. To do this, senior managers, including the financial aid administrators, must help set the direction for their institutions to implement Direct Loans from a perspective of continuous quality improvement. Key planning considerations include:

- securing and sustaining the commitment of institutional top managers;

- engaging the participation and partnership of institutional staff;

- creating and coordinating a schedule for implementation; and

- focusing on improving services to students.

Institutions that are already involved in quality improvement programs at some level will have a head start, as will institutions whose top managers are already committed to quality assurance concepts. The goal of setting the direction is to make realistic and good faith efforts to maintain a program focused on continuous improvement that will result in the sound administration of Direct Loans and the improved stewardship of Title IV funds. Techniques that can be used in carrying out improvement goals follow.

Securing and Sustaining the Commitment of Institutional Top Managers

The sustained commitment and participation of institutional senior managers in partnership with the financial aid administrator are necessary for a successful QA system that yields continuous improvement. Early involvement will help establish an environment that is conducive to change.

Institutions that utilize quality assurance principles have found that communication is key in obtaining and maintaining support from supervisors and others who have the power to make management decisions and authorize resources. For example, memoranda, presentations, and briefings to appropriate personnel about the tasks the financial aid office and other offices must undertake to implement a quality assurance system are mechanisms to help elicit the necessary support and commitment from senior managers.

Engaging the Participation and Partnership of Institutional Staff

Financial aid administrators have always understood that the effective delivery of student aid involves other offices at their institutions, including the registrar's, admissions, and business offices. As a result, the active participation of those offices in developing and sustaining a QA system for Direct Loans is central to the success of the program.

One means of involving institutional staff members is to invite representatives of other offices to participate as an integral part of the QA team in assessing operations. Not only would their active involvement benefit financial aid office operations, it would also help to strengthen the overall coordination of student services within the institution. Because they are part of the team, staff members are more likely to be willing to assist when areas needing improvement require some modification of their offices' procedures.

Similarly, it is important to gain the involvement of staff members at all levels of the organization. The ***Department of Education's Quality Assurance Program (***QAP***)*** has shown that individuals on the "front lines" have many good ideas about how to improve services because they have first-hand experience with the effects of policies and procedures on students and other financial aid office customers.

Creating and Coordinating a Schedule

Establishing a realistic schedule for completing activities related to the assessment of operations and for taking action to modify areas that need improvement is basic to the success of a QA system. It provides a complete picture for the year of what tasks need to be performed and, therefore, helps everyone involved stay on track throughout the process.

Financial aid offices have many responsibilities, including those that are time sensitive. In addition, there will be new assignments with respect to implementation of the Direct Loan Program. As a result, consider linking the assessment of operations process to the financial aid office's master calendar and the master calendars of the other offices involved.

This will ensure sufficient lead time to collect information and begin making improvements. Once again, communicating with key offices and individuals at the institution by providing updates on the progress of the QA effort and soliciting feedback and support along the way is very important.

Each institution has the latitude to develop its own calendar. Institutions are not required to provide reports to ED concerning the quality assurance system implemented for the Direct Loan Program. Information regarding its quality assurance system is maintained in a QA Master file at the institution and made available to ED staff during on-site reviews .

Focusing on Improving Services to Students

The primary mission of the financial aid office is to serve the needs of its students. As a result, financial aid administrators might wish to examine office procedures and continuously improve the capability of financial aid office operations to assure student satisfaction. Examples of responsive approaches to address customer needs and expectations include:

- soliciting and measuring periodic feedback from customers;

- establishing communications channels for customers so they can have easy access to the financial aid information they need;

- initiating processes and appropriate oversight to ensure that requirements are being carried out in a timely, accurate, and effective manner; and

- determining organizational measures and service standards based on knowledge about customer requirements and expectations, and (as feasible) benchmarking data resulting from a comparative analysis of other institutions.

STEP TWO—INVOLVING STAFF

Widespread participation of staff members at all levels in the organization has proven to be a successful practice at institutions utilizing quality assurance principles. Involving staff members and organizing them into various teams to address implementation and modifications as needed might take some effort at the outset, as would any transition to a different mode of administration. However, when staff members become problem solvers, they are able to strengthen the effectiveness of office operations within a dynamic financial aid environment. Opportunities for employee teamwork and training are important ways to link staff members' insights and skills to improvement efforts.

How to Use Teams

Institutions utilizing quality assurance principles have ascertained that a team approach is an important technique to use to develop the necessary staff support for implementing a quality assurance system. Employee involvement through the use of teams is effective because it accomplishes certain important objectives, such as:

- helping to coordinate quality assurance procedures within and across institutional offices;

- providing a pool of resources for information, ideas, and implementation;

- aiding in the dissemination of information about the quality assurance system, thereby increasing visibility and potential support; and

- contributing to a widespread commitment to improving quality.

Here is one example of how the team approach could be used to implement the assessment activities (Step Three) and improvement activities (Step Four) in a Direct Loan QA system.

> *The school organized a team to oversee assessing operations, with team members recruited from offices on which the administration of the Direct Loan Program will have an impact (for example, certainly the financial aid office, but also the business office). The team then established work groups to accomplish the assessment based on the function being evaluated. In this way, the Assessment process benefitted from input of staff across functions and at all levels.*

> *As the Assessment team completed the evaluation and identified and prioritized areas that needed attention, a set of task teams were assembled to perform any improvement actions that may be required. Similar to the Assessment team, the task teams involved staff members who crossed functions and levels. That is, each task team included a combination of individuals who were affected by the area designated for improvement and by individuals who were knowledgeable about that area.*

How to Make Teams Most Effective

Based on the experience of the institutions utilizing quality assurance principles and other organizations committed to continuous improvement, team members work together more effectively when they receive adequate training and recognition for their contributions.

- **Training** consists of activities that enhance teamwork, such as team building, brainstorming, and problem-solving (more information on this type of training can be obtained from ED's Performance and Accountability Improvement Branch. Just as important, training also includes providing opportunities for staff members to become more technically proficient through participation in ED training workshops, through programs offered by various associations, and through in-service training sponsored by the institutions themselves.

- **Recognition** is an important way to let staff members know that the efforts they are making to establish and maintain the excellence of the financial aid operation are appreciated. Examples of ways to recognize staff include written commendations from school presidents or deans, award ceremonies, and announcements in school newsletters or newspapers.

STEP THREE—ASSESSING OPERATIONS

The Management Assessment Worksheets tools provided in this Planning Guide assist financial aid administrators to review administrative procedures against federal requirements, identify strengths and weaknesses of office operations, and begin to remedy areas of institutional vulnerability.

Institutions may, but are not required to use either of the worksheets discussed in this section. Other assessment documents or tools such as the Measurement Tools provided in EDExpress, NASFAA's Self-Assessment Guide, or a comparable quality assurance methodology or analysis may be used.

The Direct Loan Program Management Assessment (MA) Worksheet that follows consists of a set of questions to help users evaluate their readiness to implement direct lending without being overwhelmed by the process. This worksheet permits institutions to do very basic examinations of their operations. However, it does not constitute a comprehensive examination of institutional compliance and effectiveness for the entire Title IV system of which the Direct Loan Program is a part.

Institutions participating in ED's Quality Assurance Program are not required to complete the Direct Loan Program Management Assessment (MA) Worksheet or adopt any additional self-assessment tool other than the Assessment Worksheets prescribed by ED's Quality Assurance Program.

The expanded Title IV-Wide Management Assessment Worksheet appears in the Appendix of this *QA Planning Guide*. Institutions can use the worksheet to conduct a full-scale evaluation of their adherence to federal requirements. Institutions have the option of completing either the Direct Loan or Title IV-Wide version of the MA worksheet, the Measurement Tools provided in EDExpress, NASFAA's Self-Assessment Guide, or a comparable quality assurance methodology.

Users of this *QA Planning Guide* should note that no matter which assessment tool an institution chooses to complete, if handled as a structured problem-solving activity it becomes a powerful means to serve the interests of the students, the school, the financial aid staff, and the federal government.

Instructions for Completing the Management Assessment Worksheets

Institutions should review the following Management Assessment Worksheet to ensure that key processes are in place in order to effectively integrate the Direct Loan Program. In completing the Management Assessment:

1. **Identify** institutional staff members to serve on Management Assessment team(s). Teams can be assigned at various stages of the Management Assessment process and can be grouped to address specific program areas (such as student eligibility) or functional areas (such as database management).

2. **Have team members review the Title IV provision** or procedure that is specified in the first column, "Major Functional Requirements," and determine if institutional procedures are available and if they fully address requirements. Indicate whether the step is initiated or completed. (For further information or clarification, consult cited statutory and regulatory provisions, the Title IV-Wide Management Assessment Worksheet, and/ or the *Federal Student Financial Aid Handbook*.)

3. **Make a judgment about the effectiveness** of the institution's existing procedures and practices and determine areas that need improvement.

4. **Determine the priority for implementing improvement actions** based on such factors as potential institutional liability, benefits, resources, and timing. Determine whether the improvement is required immediately, or will take more time to implement.

5. **Determine which activities** should be addressed first, and list them in order of priority using any form or format convenient for the institution. Then, the institution documents the priority list in the QA Master File.

On completing the Management Assessment Worksheet, institutions will have identified to lesser or greater degrees the areas of the financial aid operation that require further improvements. Through these activities, institutions become more aware of the extent to which they are complying with federal requirements.

Once institutions have completed the Management Assessment, they can proceed to Step Four. It has been designed to help institutions take action based on their findings. Note that institutions are not required to forward the Management Assessment Worksheet or any quality documentation regarding the assessment instrument it adopts to ED. However, it must maintain a copy of assessment documentation in its QA Master Files.

Direct Loan
Management Assessment Worksheets

A INSTITUTIONAL PARTICIPATION

As stewards of federal funds, institutions must meet certain eligibility standards to assure that Title IV funds are delivered to students accurately and effectively. In addition to overall Title IV program requirements, senior administrators should ensure that the following standards are fully addressed in order to effectively participate in the Direct Loan Program.

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Has your institution ensured that it is operating in accordance with the provisions stipulated in the signed Program Participation Agreement and Addendum? (HEA, §668.14, §685.300)	Review Direct Loan Addendum to the Program Participation Agreement	Financial Aid Director Senior Level Management	_____ Completed _____ Initiated
Can your institution ensure that it awards financial aid only to students enrolled in courses meeting the requirements of an eligible program? §668.32	Review Accrediting Agency Approval of Program	Financial Aid Director Registrar	_____ Completed _____ Initiated
Has the financial aid office or another entity within the institution been designated to coordinate all sources of assistance offered to students throughout your institution? §668.16	Prepare a list of all institutional offices with awarding authority	Financial Aid Director Senior Level Management	_____ Completed _____ Initiated
Has your institution designated an adequate number of trained, capable personnel to administer the student aid programs? (§668.16) Consider whether: • appropriate staff (e.g., fiscal officers, registrar, financial aid counselors, clerical staff, work-study students) has been trained on new procedures, software, etc • new procedures are being disseminated as appropriate	Review Staffing Levels in conjunction with functional duties of the financial aid office.	Financial Aid Director Senior Level Management	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does you institution have a system of identifying and resolving discrepancies in SFA-related information? §668.16	Review Policies & Procedures Manual and test procedures in this area	Financial Aid Staff	_____ Completed _____ Initiated
Does you institution have an adequate system of internal checks and balances that, at a minimum, separates the function of authorizing payments and disbursing or delivering funds? §668.16	Review awards & disbursing authority	Financial Aid Office Fiscal Office	_____ Completed _____ Initiated
Does your institution have acceptable default rates? Default Management Plan?	Review default prevention measures	Financial Aid Staff	_____ Completed _____ Initiated
Does your institution meet financial responsibility requirements? §668.15, §668.171-175,	Review areas of financial responsibility	Financial Aid Director Fiscal Office Senior Level Management	_____ Completed _____ Initiated
Does your institution meet administrative capability requirements? §668.16	Review areas administrative capability	Financial Aid Staff Fiscal Office Staff Registrar Office Staff	_____ Completed _____ Initiated
Does your institution participate in all electronic processes that are required by the Department, if the processes are provided at no substantial charge to the institution? November 29, 1996 regulations; Project EASI initiative.	Review 11/29/96 regulations for compliance	Financial Aid Director Computer Specialist Senior Level Management	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does your institution have one definition of payment period that is applicable to all SFA Programs, except FWS? November 29, 1996 regulations; SFAH pgs 3-39 thru 3-44; Project EASI initiative	Review applicable regulation citation	Financial Aid Director Fiscal Officer	_____ Completed _____ Initiated
Does every eligible program, including graduate programs, have a defined academic year that contains a minimum of 30 weeks of instructional time? §668.8	Review eligible programs against academic year definition	Financial Aid Director Registrar	_____ Completed _____ Initiated
Does your institution contract only with eligible third-party servicers as defined by regulatory criteria? §668.25	Review third party servicer contracts against regulatory criteria	Financial Aid Director Senior Level Management Interested Staff	_____ Completed _____ Initiated
Does your institution notify ED if it enters into a new contract with a third-party servicers or significantly modifies a contract with an existing third-party servicer, or a third-party servicer ceases to provide contracted services, goes out of business or files for bankruptcy? §668.25	Review notification requirements	Financial Aid Director Senior Level Management Interested Staff	_____ Completed _____ Initiated

B. FISCAL MANAGEMENT

To effectively transmit funds from the federal government to Direct Loan recipients, institutions must have sound financial systems and procedures in place. By reviewing the institution's accounting practices against the following requirements, financial aid and fiscal administrators will help to ensure that key processes are in place to enable the timely and accountable management of Direct Loan Program funds.

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Are bank accounts into which ED transfers funds or the school deposits SFA funds, maintained in accordance with 668.163?	Review bank notification regarding account identification	Fiscal Officer Financial Aid Director	_____ Completed _____ Initiated
Does the institution remit to ED any interest earned on Direct Loan, Pell Grant, FSEOG or FWS program funds that exceeds $250 per year? Or, does the institution meet one of the exceptions to interest-bearing account or investment account requirement? §668.163	Review interest earnings against 668.162 exceptions	Fiscal Officer Financial Aid Director	_____ Completed _____ Initiated
Does the institution have standard procedures to ensure that it accounts accurately for the receipt and disbursement of all aid funds? §668.161, §668.163(d), §668.165	Review fiscal procedures	Fiscal Officer Financial Aid Director	_____ Completed _____ Initiated
Does the institution maintain its financial records in accordance with recordkeeping requirements in 668.24?	Review fiscal procedures	Fiscal Office Staff Financial Aid Director	_____ Completed _____ Initiated
Does your institution ensure that it only draws down funds to be disbursed within the time frame prescribed by the system you are using, e.g. advance payment or just-in-time payment methods? §668.162	Review drawdown determination procedures	Fiscal Office Staff Financial Aid Director	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution monitor authorization amounts and ensure that cash draws reflect the amount the institution needs immediately for disbursements? §668.162	Review fiscal procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
Does the institution disburse Title IV funds on a payment period basis? §668.164	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
In addition to crediting a student's accounts, does the institution disburse SFA Program funds "directly" by one of the four methods outlined in §668.164?	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
If the institution has obtained voluntary authorization from the student or parent to hold excess funds (credit balances, does the institution maintain, at all times, cash in its bank account at least equal to the amount that it holds for students? §668.165	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
If a student or parent borrower rescinds authorization to hold excess funds, does the institution pay these funds within specified time frames?	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
Does the institution follow "early" and "late" disbusement rules contained in §668.164?	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
Does the institution follow "excess cash" provisions as outlined in §668.166?	Review procedures for excess cash determination and return of funds	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution provide exit counseling for Direct Loan borrowers? §668.304 (Experimental Sites Exemption may apply if institution is participating in Ex Sites)	Review reconciliation procedures and DL reconciliation reports	Staff Assigned to Direct Loan Reconciliation activity	_____ Completed _____ Initiated
Does the institution's treatment of excess loan proceeds comply with §685.303?	Review Exit Counseling Procedures. Pull random sample of 10 withdrawing/graduating students with Direct Loans	Staff responsible for this activity	_____ Completed _____ Initiated
Does the institution's treatment of excess loan proceeds comply with §685.303?	Review procedures for return of excess Direct Loan proceeds	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated

C. RECIPIENT ELIGIBILITY

Institutions are charged by the federal government to ensure that Direct Loan applicants meet all of the required provisions to be considered for and to receive student financial aid. Reviewing the following areas will assist institutional administrators to determine if their institutional procedures are meeting general eligibility requirements for student financial aid recipients.

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does your institution have a system to verify that financial aid recipients meet all eligibility requirements in accordance with §668.32-39 of the Student Assistance General Provisions?	Review general student eligibility criteria	Financial Aid Office Staff Fiscal Office Staff Registrar Office Staff	_____ Completed _____ Initiated
Does your institution ensure that the student who applies for a Direct Subsidized or Unsubsidized Loan is enrolled at least half-time as a regular student in an eligible program, and that Direct PLUS Loans are originated only for parents of such students? §685.200	Review procedures in view of applicable regulation	Financial Aid Office Staff Registrar Office Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution ensure that it does not originate Direct Loans for a students from both the Direct Loan and FFEL programs for attendance at the school for the same enrollment period? §685.100	Review procedures in view of applicable regulation	Financial Aid Staff Fiscal Office Staff	_____ Completed _____ Initiated
Does the institution ensure that Direct Loans borrowers are not enrolled in a medical internship or residency program?	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution ensure that a Direct Loan borrowers who have canceled a previous Direct Loan due to total and permanent disability has reestablished eligibility for a new loan in accordance with regulatory requirements? §685.200	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution ensure that a Direct Loan borrowers who is in default, who have obtained federal student loans in excess of annual or aggregate loan limits, or who have received SFA overpayments has reestablished eligibility for a new loan in accordance with regulatory requirements? §668.32	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
For Direct PLUS loan applicants, has the institution established that the parent borrower is a student's biological or adoptive parent, or legal guardian? Or the spouse of a parent who remarries, if the spouse's income and assets would have been included on the student's FAFSA? §685.200	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
For Direct PLUS loan applicants, does the institution ensure that the parent borrower meet eligibility criteria outlined in §685.200?	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution ensure that it does not permit the Direct PLUS Loan applicant to borrow a Direct PLUS Loan and a FFEL PLUS loan for the same student for the se enrollment period at the school? §685.200(b)(i)	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution ensure that Direct PLUS Loans are not given to parents who have adverse credit history unless the parent obtains an endorser with no adverse credit history or demonstrates extenuating circumstances? §685.200	Review procedures in view of applicable regulation	Financial Aid Staff	_____ Completed _____ Initiated
Does your institution have a system for collecting all required student certifications and transcripts for students who previously attended another postsecondary institution? (§668.19, §668.32-33)	Review procedures in view of applicable FAT regulation and NSLDS	Financial Aid Staff Registrar Office Staff	_____ Completed _____ Initiated
Is your institution in compliance with all applicable verification regulations found in §668.53 -668.60? (If you are a Quality Assurance Program (QAP) institution, see the QAP Workbook for exemptions).	Review procedures in view of applicable regulation Test a sample of files	Financial Aid Staff	_____ Completed _____ Initiated
Has your institution established proper budgets/cost of attendance (COA) to use in determining students' need for federal aid programs? (HEA 1992)	Review procedures in view of applicable statute or SFA Handbook guidance	Financial Aid Staff	_____ Completed _____ Initiated
Does your institution collect and maintain the data relevant to each student's application for federal aid (i.e., the ISIR)? §668.24	Review procedures in view of SFA Handbook & ISIR Guide guidance	Financial Aid Staff	_____ Completed _____ Initiated

D. AWARD CALCULATION AND DISBURSEMENT

Financial aid administrators must be mindful of specific federal provisions that set parameters on the type, amount, timing, and sequence of financial aid awards to meet the financial need of Title IV recipients. The following are program-specific criteria that fiscal and financial aid administrators should review to ensure that their institutional procedures are aligned with Direct Loan Program parameters.

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution determine Federal Pell Grant eligibility prior to award Direct Subsidized and Direct Unsubsidized Loans? §685.200	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution determine Direct Subsidized eligibility prior to awarding a Direct Unsubsidized Loan? SFAH, Chapter 11	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution calculate Direct Subsidized Loan eligibility in accordance with the statutory formula? SFAH, Chapter 11	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution calculate need for Direct Unsubsidized and Direct PLUS Loan with the statutory formula? SFAH, Chapter 11	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution ensure that any information it provides ED in connection with loan origination is complete and accurate in accordance with requirements contained in §685.301?	Review loan origination procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution conduct initial counseling prior to mg the first disbursement? §685.304	Review loan counseling procedures	Staff responsible for loan counseling	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Prior to disbursing SFA Program funds for any award year, does the institution notify a student of the amount of SFA Program funds the student and his or her can expect to received for each SFA Program and how the funds will be disbursed? §668.165	Review award notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution obtain signed and completed Direct Loan promissory notes from Direct Loan borrowers prior to disbursing the first disbursement of a Direct Loan? §685.201, §685.303	Review promissory note tracking procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution delay disbursement for first-year, first-time students who are subject to the 30 day delay provision? §668.164	Review disbursement procedures	Financial Aid Staff Fiscal Office Staff	_____ Completed _____ Initiated
For the Direct Loan and FFEL Programs, does the notice indicate which funds are from a subsidized loan and which are from an unsubsidized loan? November 29, 1996 regulations	Review award notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution notify a borrower, who will not be paid directly by check, of his right to cancel the loan, at or close to the time the funds are actually disbursed and the debt incurred? §668.165	Review award notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
If the borrower wishes to cancel the loan, does the institution honor the request if it is received within the 14 day cancellation window? §668.165	Review loan cancellation procedures	Financial Aid Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution notify a borrower when a loan disbursement occurs and give the borrower the opportunity to replace credited loan proceeds with other funds? November 29, 1996 regulations	Review disbursement & loan notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution notify the borrower in writing or electronically whenever it credits the student's account with Direct Loan, FFEL, or Perkins Loan program funds? Within specified timeframes? §668.165	Review disbursement & loan notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does the institution obtain authorization from a student (or parent borrower) before· • disbursing SFA funds by EFT to a bank account designated by the student? • using SFA funds to pay for allowable charges other than tuition, fees, room & board? • holding excess SFA funds (credit balances)? • applying SFA Program funds to prior-year charges? §668.165	Review disbursement & loan notification procedures	Financial Aid Staff	_____ Completed _____ Initiated
Unless a student is eligible to receive a late disbursement, does the institution disburse SFA Programs funds to a student or parent for a payment period only if the student is enrolled for classes for the payment periods eligible to receive those funds? §668.164	Review disbursement procedures	Financial Aid Staff	_____ Completed _____ Initiated
If the institution disburses Direct Loans to student accounts, does the institution first use Direct Loan funds to pay for outstanding allowable charges? 685.165 SFAH 3-64 & 3-65	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does the institution pay any credit balance that was created by SFA Program funds to the student within specified timeframes? §668.165	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
Does the institution obtain voluntary authorization from the student or parent to hold excess funds (credit balances)? §668.165	Review borrower authorization procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
If so, does the institution identify the student or parent and the amount of funds the school holds for the student/parent in a subsidiary ledger account designed for that purpose? §668.165	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
If so, does the institution maintain, at all times, cash in its bank account at least equal to the amount that it holds for students? §668.165	Review cash management policies	Fiscal Officer Financial Aid Director	_____ Completed _____ Initiated
Notwithstanding any authorization obtained from a student or parent to hold excess funds, does the institution pay excess funds in accordance with timeframes specified in 668.164?	Review disbursement procedures	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated
Does the institution follow requirements in §668.164 regarding use of SFA Program funds to pay prior year charges?	Review applicable regulation citation to determine compliance	Fiscal Office Staff Financial Aid Staff	_____ Completed _____ Initiated

E. REPORTING AND RECONCILIATION

As with other business operations, institutions must maintain record systems that are auditable and that allow for preparation of appropriate reports. Also, procedures must be in place to allow for reconciling accounts and adjustments made to awards due to changes in areas such as the student's enrollment status or the family's financial circumstances. To ensure that the reconciliation of institutional and individual financial aid accounts is being handled appropriately, the following baseline criteria should be carefully reviewed.

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does your institution have standard procedures for adjusting disbursements as a result of verifying data, resolving conflicts, changes in student status, or receipt of additional aid? §668.16, §668.59	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Does your institution properly document changes in students' dependency status or other changes involving professional judgment on a case-by-case basis?	Review awarding procedures	Financial Aid Staff	_____ Completed _____ Initiated
Is your institution's refund formula fair and equitable, allowing for the most beneficial treatment for the student in accordance with §668.22?	Review refund policies and procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Are refund determinations made in accordance with regulatory requirements? §668.22	Review refund policies and procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does your institution have a system to ensure that refunds are made within required time frames and credited to the appropriate Title IV accounts in accordance with the refund distribution order as specified in §668.22? Consider: • procedures to ensure proper/timely returns to ED/Federal Reserve Bank of undisbursed funds drawn down • procedures for processing loan and disbursement cancellations • procedures for calculating and reconciling refund amounts	Review refund policies and procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Does your institution reconcile Title IV disbursement records (general ledger/journal of expenditures) to other data sources (e.g., authorization levels, EDPMS 272 Reports (GAPS), FISAP, and Student Payment Summary Reports) and maintain verifiable, auditable data in support of these records? §685.309	Review reconciliation procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Does the institution initiate data matching (reconciliation) with the Loan Origination Center system within specified time frames? Direct Loan School Guide	Review Direct Loan Reconciliation procedures and reports	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Does the institution process Direct Loan cancellations and adjustment in accordance with established criteria? Direct Loan School Guide	Review Direct Loan cancellation and adjustment procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Does your institution verify that accurate information on student status (SSCR) is reported to ED for Direct Loan borrowers? §665.309; Direct Loan Guide Consider: • procedures for timely, accurate review of Student Status Confirmation Report and updating enrollment information with servicer	Review Direct Loan SSCR procedures	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Has the institution identified the appropriate level and type of automation to best meet its needs in administering the Direct Loan Program? Consider: • use of ED-supplied software or other software • entering data through EDExpress or other system • in-house production or servicer production of applications and promissory notes • entering PLUS application data by institution or other method • Student Status Confirmation Reports generated electronically	Review automation requirements	Financial Aid Director Fiscal Officer Computer Specialist Senior Level Management	_____ Completed _____ Initiated

Requirements	Recommended Assessment Steps	Recommended Assessment Offices	Status
Has your institution put in place disbursement procedures for Direct Loans as required by §445 of the HEA, as amended? Consider: • procedures for timely transmission of the loan origination record to the servicer • procedures to resolve rejects that do not pass servicer edits	Review Direct Loan requirements in DL School Guide	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated
Does your institution have a procedure to ensure that Direct Loan promissory notes are properly safeguarded against the risk of loss or destruction prior to their transmission to the Direct Loan servicer? §685.309, §685.301 Consider: • procedures to ensure timely transmission of hard copy promissory notes to the ED servicer • tracking procedures (if/when returned from borrower; date sent; servicer confirmation)	Review Direct Loan requirements in DL School Guide	Financial Aid Staff and/or Fiscal Office Staff	_____ Completed _____ Initiated

STEP FOUR—TAKING ACTION

In the process of completing Assessment activities, institutions will identify those areas of their operations that require further improvements. Plans are then be developed for implementing new or enhanced procedures and improved levels of compliance to legislative requirements. The Management Action Plan Worksheet that follows can assist institutions to plan these activities and monitor progress. Each institution may establish its own methods for creating and carrying out changes that improve existing systems by taking into account available resources and office capabilities.

Instructions for Completing the Management Action Plan

During Step Three's Management Assessment, an institution decides which areas to target for improvement. Whether an institution decides to use the Management Action Plan Worksheet or another approach, the following steps may be taken in developing process improvements.

1. **Identify institutional staff members to serve on Management Action Planning task teams**. The composition of each task team should reflect the area(s) designated for near-term improvement to which the team is assigned.

2. **Describe the area to be improved** at the top of the Worksheet where it states "Description of Area Requiring Improvement," and include the corresponding question from the Management Assessment Worksheet next to "MA Ref."

3. **Identify the actions necessary to promote improvement** and list these actions in the first column under "Action Item."

4. **Summarize the resources necessary for each Action Item** in the second column, "Resources Needed," by listing resources (such as computer hardware/software and additional personnel) necessary to successfully implement a specific action item.

5. **Decide who would be the best individuals to assure that each action item** is carried out and what the time frame should be. Record the information in the first column under "Proposed" in the "Person(s) Responsible" column.

6. **Decide when implementation of each action item** is expected to begin and end in the columns under "Pro- posed" entitled "Start Date" and "End Date."

7. **Develop a monitoring process** and document it at the bottom of the worksheet next to "Description of Monitoring Procedures." For example, the task team as a whole could be responsible for overseeing that progress is being made with each action item, or individual members could be assigned to specific action items by staying in contact with the people who have direct responsibility for implementing the changes.

8. **Record changes to the plan as part of the monitoring process** by noting in the appropriate columns under "Actual" modifications to action items, person(s) responsible, and start and end dates.

As institutions plan and implement improvement activities, they file their Management Action Plan Worksheet(s)—or the materials they developed to document the actions they are taking—in their QA Master File. Note that institutions are not required to forward these materials to ED.

MANAGEMENT ACTION PLAN WORKSHEET

Description of Area Requiring Improvement:

MA Ref:

Action Item	Resources Needed	Proposed			Actual		
		Person(s) Responsible	Start Date	End Date	Person(s) Responsible	Start Date	End Date

Description of Monitoring Procedures:

STEP 5—REVIEWING PROGRESS

Any effective quality assurance system must be viewed as an ongoing, continuous process. Steps One through Four have assisted institutions with completing their assessments and improvements. In subsequent years, institutions will perform follow-up assessments that examine the effectiveness of their improvement initiatives and determine whether their administrative procedures remain effective in ensuring quality. These assessments will result in further initiatives to improve management systems.

The activities presented in this step have been developed to assist institutions to learn from the results of their initial self-assessment and problem-solving activities. These activities will also provide a baseline for more extensive measurement and analytical activities in subsequent stages of the QA initiative. They involve:

- continuous assessment and improvement activities;

- documenting progress in the QA Master File; and

- networking within the financial aid community.

Continuous Assessment and Improvement Activities

With the changing nature of regulatory issues, institutional characteristics, and technological capabilities, institutional officials continually assess and reassess office operations to help them prepare for future challenges. It is important that institutions participating in the Direct Loan Program regularly perform a management assessment and develop management improvement initiatives designed to correct problems, enhance operations, and strengthen management systems. At a minimum, institutions review their procedures for administering the Direct Loan Program, focusing particular attention on those areas in which changes were introduced by the institution or in which federal requirements have changed.

Institutions are encouraged, however, to expand over time the scope of the management assessments they perform. The Appendix offers a framework by providing a management assessment that is Title IV-wide in scope.

Completing the entire assessment as described in the Appendix in one year might not be feasible for all institutions. For this reason, the assessment is divided by functional areas. Institutional administrators may select those areas of the assessment they believe are most relevant for their institutions. Completing the entire Appendix will help determine whether an institution is in compliance with key requirements of the federal student financial assistance programs.

Networking within the Financial Aid Community

A major focus of the QA initiative is to involve all Direct Loan institutions—working together as partners with ED—to continually enhance the delivery of the student financial aid programs. The QA networking approach has been designed to further this goal by providing a vehicle for Direct Loan institutions to share information on effective financial aid office management practices and to share recommendations with ED. Communicating with peers is an important element of the QA system. Actively sharing successful practices with colleagues can help all financial aid administrators work more effectively.

Although networking is at the institution's option, its purpose is to help Direct Loan institutions develop a common awareness of quality improvement principles and to learn about effective ways to administer student aid. To expedite networking, information will be disseminated to all participating Direct Loan institutions through the Information for Financial Aid Professionals (IFAP) web site and the Direct Loan web site at www.ed.gov.DirectLoan.

The following are an initial set of activities planned for the Direct Loan QA networking process. ED will provide leadership and technical assistance in getting the networking process started; however, institutions are encouraged to eventually establish "partnership" forums, task teams, and steering committees to work alongside ED in improving the administration of student financial aid.

Sharing Successful Office Practices

On an ongoing basis, or at least once a year, institutions should submit to the network a successful activity describing a significant achievement in improving the institution's delivery of financial aid that came about as a result of implementing a quality assurance system. Participating Direct Loan institutions are encouraged to review their office operations and determine which areas are successful in terms of office practices, work processes, and management approaches. Some examples of effective office practices might include:

Office Coordination

- Establishing a comprehensive master calendar

- Interacting regularly with the admissions, registrar's, and business offices

- Integrating computer systems with financial aid operations

- Packaging and disbursing financial aid

- Monitoring work-study earnings

Correspondence Control

- Maintaining updated office procedures/manuals

- Developing useful office forms and standard correspondence

- Collecting necessary data and documentation

- Completing financial aid transcripts

- Maintaining effective filing, retrieval, and storing systems

Student Services

- Providing up-to-date student consumer information and financial aid handbooks

- Conducting responsive appointment scheduling and counseling services

- Establishing responsive phone systems

- Providing full one-stop services to aid recipients

- Conducting effective entrance and exit loan counseling

Submissions should be provided as an abstract with a narrative of the activities and benefits achieved. Please identify a point of contact in case further information or clarification is needed. A suggested format follows:

1. Identify a successful practice or activity that is being conducted at your institution.

2. Briefly describe the nature of your financial aid office operations and how this activity has been successfully implemented at your institution.

3. Explain the major benefits achieved and lessons learned in implementing this activity.

Recommendations for ED Quality Improvements

ED is also interested in making improvements to the Direct Loan Program. As a result, at the institution's option, financial aid administrators and quality assurance team members are encouraged to convey their ideas or suggestions for improvements in ED policy or operations. This can be done either in writing or through the planned electronic mail bulletin board. This information will be shared with appropriate ED offices and contractors for review with the goal of improving overall delivery processes. A suggested format for recommendations follows:

1. Provide both a brief description of an existing ED activity that you feel should be improved and your recommendation for improvement.

2. Describe an existing ED Title IV regulatory requirement that you feel should be modified or eliminated— consistent with legislative intent—and how this would improve student financial aid delivery at institutions.

Direct Loan institutions can play vital roles in establishing effective practices that promote continuous improvement in administering financial aid operations and providing services to students. Through networking opportunities, institutional officials can share their ideas with colleagues on successful office practices that are responsive to student circumstances, problems, and needs without adding burden to financial aid staff. As the Direct Loan Program expands and evolves, it is hoped that high-quality financial aid practices will be adapted to all Title IV programs and shared among institutions nationwide.

APPENDIX
TO THE DIRECT LOAN
QUALITY ASSURANCE PLANNING GUIDE

TITLE IV-WIDE MANAGEMENT ASSESSMENT
TECHNICAL ASSISTANCE DOCUMENT

TITLE IV-WIDE MANAGEMENT ASSESSMENT

Even though institutions must comply with a common body of Title IV requirements, administrative procedures can vary widely depending on an institution's size, student population, resources, funding policies, and facilities. As a result, financial aid administrators have traditionally developed procedures that take both federal requirements and their institution's character into account. Recognizing this need for institutional discretion, ED has developed a comprehensive Management Assessment document for the use of postsecondary institutions that summarizes key technical previsions of the Title IV Programs.

The Management Assessment has been designed to help financial aid administrators evaluate the full scope of their delivery systems and office procedures in the context of federal student aid requirements. It has been developed in conjunction with members of the financial aid community and has originated from a similar self-assessment instrument used by institutions participating in the Quality Assurance Program. Financial aid administrators who have followed this method have expressed strong support for the structured approach provided in the Management Assessment. They generally agree that using the Management Assessment helps them comply with Title IV regulations and develop improved operations tailored to the capabilities of their institutions and the needs of the students they serve.

The federal provisions within the Management Assessment are presented in five broad categories that highlight the major functional processes of the student financial aid delivery system between ED and institutions. Direct Loan institutions are encouraged, but not required, to complete this assessment to strengthen their management practices and administrative procedures as they deem necessary. Those institutions electing not to perform the Title IV-Wide Management Assessment must, as an alternative, complete the abbreviated Direct Loan Management Assessment Worksheet in Step Three of the *QA Planning Guide.*

Institutional Participation: As stewards of federal funds, institutions must meet certain eligibility standards to assure that Title IV funds are delivered to students accurately and effectively.

Fiscal Management: To effectively transmit funds from the federal government to Title IV recipients, institutions must have sound financial systems and procedures in place.

Recipient Eligibility: Institutions are charged by the federal government to ensure that Title IV applicants meet all the required provisions to be considered for and to receive student financial aid.

Award Calculation and Disbursement: Financial aid administrators must be mindful of specific federal provisions that set parameters on the type, amount, timing, and sequence of financial aid awards to meet the financial need of Title IV recipients.

Reporting and Reconciliation: As with other business operations, institutions must maintain record systems that are auditable, that allow for preparation of appropriate reports, and that allow for reconciling accounts and adjustments made to financial aid awards.

TITLE IV-WIDE
MANAGEMENT ASSESSMENT WORKSHEET

A. INSTITUTIONAL PARTICIPATION

Major Functional Requirements	N/A	Inventory of Existing Procedures		Priority for Improvement Actions	
		No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Determining Institutional and Program Eligibility 1. Is your institution currently accredited by a nationally recognized accrediting agency that is approved by the Secretary of Education, and are all the programs for which federal aid is offered included in that accreditation?					
2. Is your institution currently licensed to operate within a state in accordance with §600.4 - 600.7, and are all of the programs for which federal aid is offered included in that approval?					
3. Has your institution ensured that it is operating in accordance with the provisions stipulated in the signed Program Participation Agreement? (HEA and §668.12)					
4. Can your institution ensure that it awards financial aid only to students enrolled in courses meeting the requirements of an eligible program?					
5. Does your institution confirm, on an annual basis, that the duration of your academic year meets the minimum requirements? (HEA 1992)					
6. If your institution does not offer a 2-year associate or 4-year bachelor degree program, have you determined that no more than 50 percent of your students were admitted under the Ability to Benefit (ATB) provisions? (HEA 1992 §484(d))					

A. INSTITUTIONAL PARTICIPATION (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Determining Institutional and Program Eligibility (continued) 7. For all students in a given course of study, does your institution use the same academic year definition, and does each such definition incorporate at least 30 weeks? (HEA 1992)					
8. If your institution offers educational programs at locations other than your main campus, does it have written confirmation from ED's Institutional Participation Division as evidence of approval for Title IV funding? (§600.21)					
9. If your institution offers courses by correspondence, has it determined that no more than 50 percent of its courses are offered by correspondence or that no more than 50 percent of its students are enrolled in correspondence courses?					
10. If your institution offers programs to incarcerated students, has it determined that no more than 25 percent of its enrolled students are incarcerated or has it received a waiver of this prohibition from the Secretary of Education? (HEA 1992)					
Coordinating Major Financial Aid Responsibilities 11. Has the financial aid office or another entity within the institution been designated to coordinate all sources of assistance offered to students throughout your institution?					
12. Has your institution designated an adequate number of trained, capable personnel to administer the student financial aid programs? (§668.14)					

A. INSTITUTIONAL PARTICIPATION (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Coordinating Major Financial Aid Responsibilities (continued) 13. Does your institution have a system to coordinate all information relating to students' eligibility to participate in the Title IV programs?					
14. Does your institution have valid consortium agreements that contain all required provisions for all applicable students? (§600.9)					
15. Does your institution monitor the default rates under the Perkins and Part B Loan programs and initiate action if those rates approach 20 percent? (§668.15)					
16. Does your institution have a plan for default management, and is it being implemented in all respects?					
17. Is there an office responsible for calculating and monitoring the institution's student withdrawal rate and initiating appropriate action if that rate approaches 33 percent? (§668.15)					
18. Has the institution identified all affected institutional components and assigned responsibility for implementing, prior to and during academic year 1996-97, a quality assurance system that will satisfy ED requirements? (§454(a)(5) HEA)					
Disclosing Information on Title IV Participation 19. Does your institution publish all of the consumer information required by §668.43 and 668.44?					

A. INSTITUTIONAL PARTICIPATION (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Disclosing Information on Title IV Participation (continued) 20. Does your institution routinely make available the written consumer information and disclosures to all current and prospective students? (§668.41 and 668.42)					
21. Are the Satisfactory Academic Progress (SAP) standards and procedures by which a student who has failed to maintain progress and who may re-establish eligibility for Title IV assistance published and readily available to all students? (§668.14)					
22. Does your institution have a standard of Satisfactory Academic Progress (SAP) that contains all of the elements required under §668.14, can the SAP standard be easily applied, and is it clear enough to be understood by your staff and students?					

B. FISCAL MANAGEMENT

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Establishing Accounting Systems 1. Does your institution have a system to ensure that federal funds are used only for program purposes?					
2. Has the institution reviewed its debtor position to determine if it meets all of the standards for financial capability (§668.13) and is in compliance with §453(c)(2)(G) HEA?					
3. Are separate offices and individuals responsible for awarding aid and disbursing funds?					
4. Does your institution have standard procedures to ensure that it accounts accurately for the receipt and disbursement of all aid funds?					
5. Does your institution ensure that it only draws down funds to be disbursed within the time frame prescribed by the system you are using?					
6. Does your system allow you to identify by program the amount of federal cash at your institution at any given time?					
7. Can your institution ensure that it does not charge fees of any kind to promote, originate, or administer federal aid programs? (§454(a)(6) HEA)					
Coordinating Program-Specific Funds 8. Does your institution monitor authorization amounts and ensure that cash draws and expenditures are within those authorizations?					

B. FISCAL MANAGEMENT (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Coordinating Program-Specific Funds (continued)					
9. Are federal funds deposited into accounts that are properly established and identified for this purpose?					
10. Does your institution properly calculate its Administrative Cost Allowance under the campus-based programs?					
11. Does your institution have a system to ensure that it is contributing the correct institutional match of program funds toward campus-based disbursements and that the institutional share is being provided within the appropriate time frames?					
12. Are all fund transfers with the campus-based programs within the allowable award year and program limits?					
Ensuring Adequate Auditing Practices					
13. Does your institution have a procedure to ensure that your Title IV programs are audited annually by an independent agent and that the audit report is submitted to ED within the appropriate time frame.?					
14. Does your institution maintain an accessible audit trail for each transaction, allowing you to easily trace financial data that identify individual student disbursements and total aid awarded?					
15. Does your institution's system reconcile all Direct Loan Program activity that occurs during a 30-day period before the following 30-day period?					
16. Does your system easily identify excess cash (including interest earned on federal funds) and routinely and promptly return monies to program accounts or the appropriate federal department?					

C. RECIPIENT ELIGIBILITY

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Evaluating Student Eligibility 1. Does your institution have a system to verify that financial aid recipients meet all eligibility requirements in accordance with §668.7 of the Student Assistance General Provisions?					
2. Does your institution have a system to ensure that all financial aid recipients possess a high school diploma or equivalent or demonstrate the Ability to Benefit (ATB) from the training provided? (§668.7 and HEA 1992)					
3. Does your institution have a system to ensure aid is provided only to regular students (enrolled for the purpose of receiving a degree or certificate) unless exempted by the Higher Education Technical Amendments (HETA) or HEA 1992. (§668.7)					
4. Does your institution have a policy for granting "leaves of absence" and, if so, is there a procedure for determining if a student returns from leave? (§682.605)					
5. Does your institution have a system to ensure that Title IV financial aid is provided only to students in an eligible citizenship category and to identify eligible noncitizens for whom documentation is required? (§668.7)					
Collecting Required Documentation and Verifying Data 6. Does your institution collect and maintain the data relevant to each student's application for federal aid (i.e., SAR, ESAR, or ISIR)?					

C. RECIPIENT ELIGIBILITY (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Collecting Required Documentation and Verifying Data (continued)					
7. Does your institution have a system for collecting all required student certifications and statements?					
8. Does your institution have a system to identify the need for and collect all required financial aid transcripts for students who attended a prior postsecondary institution? (§668.19)					
9. Does your institution have a system for identifying or resolving conflicting information in accordance with §668.14?					
10. Is your institution in compliance with all applicable verification regulations found in §668.53 - 668.60? (If you are a Quality Assurance Program (QAP) institution, see the QAP workbook for exemptions.)					
Determining Cost of Attendance					
11. Has your institution determined proper budgets or cost of attendance (COA) to use in determining student's need for federal aid programs? (HEA of 1992)					
12. Are costs of attendance properly calculated, prorated based on academic year length when necessary, and, if appropriate, adjusted for students who are studying abroad, incarcerated, or enrolled in correspondence courses?					
13. Does your institution have a COA policy ensuring that COAs are determined based on costs associated with credit/clock hours and costs associated with weeks of instructional time, and are prorated based on full-time, full-year costs?					

D. AWARD CALCULATION AND DISBURSEMENT

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Disbursing Pell Grants 1. Does your institution have a procedure to ensure that Federal Pell Grant disbursement amounts are calculated based on incorporating the 30-week minimum academic year and standards for weeks of instructional time and credit/clock hours earned? (HEA 1992)					
2. Does your institution use a nine-month expected family contribution (EFC) to determine a student's Federal Pell Grant?					
3. Does your institution have a system to ensure receipt of a valid SAR, ESAR, or official EFC on roster or tape (ISIR) while a student is still enrolled and eligible?					
4. Does your institution ensure that all Electronic SARs are signed by all required persons and that alternate eligibility output documents are signed by students to attest that the information reported has been reviewed and is accurate?					
5. Does your institution schedule Federal Pell Grant disbursements often enough so that no one disbursement exceeds half of the annual award (for example, in the case of a non-standard term that exceeds half of the academic year, at least two disbursements are scheduled during the term)?					
6. Does your institution have a system to ensure that Federal Pell Grant payments are properly reported to ED?					

D. AWARD CALCULATION AND DISBURSEMENT (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Disbursing Pell Grants (continued) 7. Does your institution have a system for monitoring student completion of the portion of a term for which he or she was initially paid, to ensure that subsequent disbursements within the term are not made until the portion previously paid for has, in fact, been completed?					
8. For non-term programs, does your institution have a system to ensure that midpoint disbursements are not made until the student has completed both the minimum weeks and clock/credit hours required in the payment period?					
9. Does your institution ensure that awards to incarcerated students, if eligible for Federal Pell Grants, are within appropriate maximums?					
Packaging Campus-Based Awards 10. Does your institution make campus-based aid reasonably available to all of the students represented in your FISAP Eligible Aid Applicant Grid (Part II, Section E), including students attending non-main campus locations?					
11. Are FSEOG funds first awarded to Federal Pell Grant eligible students with exceptional need (lowest EFC)?					
12. Are Federal Perkins Loan funds first awarded to students demonstrating exceptional need (lowest EFC)?					

D. AWARD CALCULATION AND DISBURSEMENT (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Packaging Campus-Based Awards (continued)					
13. For Federal Perkins Loan Program recipients, does your institution have procedures to determine borrower eligibility for forbearance, deferment, and cancellation provisions?					
14. Does your institution have procedures to ensure that due diligence is performed in accordance with requirements of Subpart C, §674.41 - 674.50 of the Federal Perkins Loan Program regulations?					
15. Does your institution have an adequate document control system to track and safeguard signed loan notes?					
16. Does your institution have a system to monitor Federal Work-Study (FWS) earnings and adjust subsequent awards or disbursements as necessary?					
17. Does your institution pay FWS earnings at least monthly?					
18. Does your institution have procedures to ensure that at least 5 percent of your FWS funds are paid to students in service to the community?					
Providing Federal Family Education Loans (FFEL)					
19. Does your system ensure that information provided and certified on student loan applications is accurate and complete?					
20. Does your institution determine a student's eligibility for a Federal Pell Grant prior to certifying him/her for an FFEL loan?					

D. AWARD CALCULATION AND DISBURSEMENT (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Providing Federal Family Education Loans (FFEL) (continued)					
21. Prior to certifying an unsubsidized Federal Stafford loan for a student, do you make a determination of eligibility for a subsidized loan?					
22. Does your institution have standard procedures to notify a student in writing if you decline to certify a loan?					
23. Does your institution have a system to ensure that the first payment of a Federal Stafford loan or an unsubsidized Federal Stafford loan made to a first-year, first-time undergraduate student is not released until the borrower has completed the first 30 days of his/her program of study?					
24. Does your institution have a procedure for ensuring that students are provided with all of the information stipulated in the entrance and exit interview requirements of the federal loan programs? (§682.604)					
25. During exit counseling, does your institution have a procedure to ensure that you obtain required or updated information from the borrower in accordance with requirements stipulated in the HEA of 1992?					
26. Does your institution have a procedure established so that students may obtain loans under any state-sponsored or private loan program to offset the EFC? (§454(a)(1)(B) HEA)					
Awarding Federal Direct Student Loans					
27. Has the institution defined financial aid awarding procedures for use during the 1996-97 academic year for student and parent borrowers? (§454(a)(4) HEA)					
28. Has your institution put in place disbursement procedures for Direct Loans as required by §455(j) of the HEA as amended?					
29. Does your institution have a system to ensure that a properly executed promissory note is obtained from a Direct Loan borrower prior to releasing any loan proceeds to the student?					
30. Has the institution identified the appropriate level and type of automation to best meet its needs in administering the Direct Loan Program?					
31. If you do not originate loans under the Direct Loan Program, have you assigned responsibility and defined procedures for forwarding to ED all student eligibility data needed for alternative loan origination? (§454(a)(1)(E) HEA)					

E. REPORTING AND RECONCILIATION

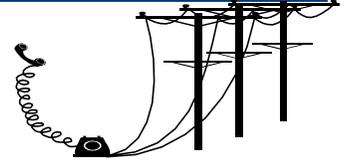| Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Adjusting Awards 1. Does your institution have standard procedures for adjusting disbursements as necessary as a result of verifying data, resolving conflicts, changes in student status, or receipt of additional aid?					
2. For changes in a student's projected enrollment status, does your institution have a policy to determine if Federal Pell Grant awards must be recalculated that takes changes in COA into consideration and is applied consistently to all students?					
3. Does your institution have standard procedures for reporting changes in awards to the student, the central processor, and other institutional offices as appropriate?					
4. Does your institution maintain documentation of adjustments made to data elements used to calculate the cost of attendance (COA) or the expected family contribution (EFC)?					
5. Does your institution properly document changes in students' dependency status or other changes involving professional judgement on a case-by-case basis?					
Providing Title IV Refunds 6. For the purpose of refunding Title IV funds, does your institution have a procedure in place to identify students who register but never attend classes so that financial aid that has been disbursed/credited to the students' accounts can be returned?					

E. REPORTING AND RECONCILIATION (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Adjusting Awards Providing Title IV Refunds (continued) 7. For the purpose of determining when a refund must be paid, does your institution have a system for determining a student's last day of attendance? (§682.605)					
8. Is your institution's refund formula fair and equitable, allowing for the most beneficial treatment for students in accordance with §484B of the HEA?					
9. Do your institution's internal controls ensure that refund calculations are performed in a timely manner and are mathematically correct?					
10. Does your institution have a system to ensure that refunds are made within required time frames and credited to the appropriate Title IV accounts in accordance with the refund distribution order as specified in §485 of the HEA of 1992?					
11. Does your institution have procedures to ensure that the pro rata refund formula is used for all first-time students who withdraw prior to the 60 percent point in the term?					
12. Does your institution have a system for ensuring that credit balances are promptly delivered to students unless a student has voluntarily provided written authorization to the institution to retain those funds for future charges?					
13. Does your institution ensure, when determining the amount it is entitled to retain, that it excludes the unpaid balance owed by the student on the account in accordance with §668.22?					

E. REPORTING AND RECONCILIATION (continued)

Major Functional Requirements	Inventory of Existing Procedures			Priority for Improvement Actions	
	N/A	No improvement action needed at this time	Improvement action needed	Near-term improvement required	Long-term improvement desired
Reporting and Recordkeeping 14. Does your institution reconcile Title IV disbursement records (general ledger/journal of expenditures) to other data sources (for example, authorization levels, EDPMS 272 Reports, FISAP, and Student Payment Summary Reports) and maintain verifiable, auditable data in support of these records?					
15. Does your institution's system facilitate the timely filing of all required program reports, such as EDPMS 272, Pell Grant IPS, and campus-based FISAP, and required audits and financial statements?					
16. Does your institution have a procedure to ensure that the FISAP is prepared properly and electronically submitted to ED by the stated deadline of each year?					
17. Does your institution verify that accurate information on student status is reported for all borrowers to ED or the appropriate guaranty agency? (§682.610 and §454(a)(1)(E) HEA)					

Title IV Electronic Processes

Title IV Electronic Processes Requirements

Schools in the Direct Loan Program communicate electronically with the U.S. Department of Education (ED) and ED's Direct Loan contractors. Electronic capability is a requirement for participating in the program.

Minimum Electronic Processes for Schools

❖ Participating in the Title IV Wide Area Network (TIV WAN).

◇ The TIV WAN enrollment document can be downloaded (in PDF format).
See "Dear Colleague" Letter GEN 98-24 at **http://ifap.ed.gov**

❖ *For the 1998-99 processing year and beyond*:

◇ receiving Institutional Student Information Records (ISIRs),

◇ adding the school to the Central Processing System (CPS) Record, and

◇ having online access to the National Student Loan Data System (NSLDS).

❖ Having access to ED's Information for Financial Aid Professionals (IFAP) Web site
(**http://ifap.ed.gov**).

❖ Submitting the Application for Approval to Participate in Federal Student Financial Aid
Programs (initial certification, recertification, reinstatement, and changes) through the Internet.

❖ Submitting the Fiscal Operations Report and Application to Participate (FISAP) through
TIV WAN.

❖ *For the 1999-2000 award year and beyond*:

◇ reporting Federal Pell Grant payments electronically through TIV WAN,

◇ submitting Student Status Confirmation Report (SSCR) data electronically to NSLDS, and

◇ submitting Federal Perkins Loan data electronically to NSLDS.