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# Participation, Fiscal Procedures, & Records

*The Department allocates FWS funds to schools according to the statutory formulas in section 442 of the Higher Education Act of 1965. Schools must use and maintain FWS funds according to the procedures of the Federal Work-Study Program.*

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## PROGRAM PARTICIPATION AGREEMENT

### Program Participation Agreement cite

34 CFR 675.8

A school that wants to participate in any Federal Student Aid (FSA) Program must sign a Program Participation Agreement with the Secretary. (See *Volume 2 - Institutional Eligibility and Participation* for more general information about the Program Participation Agreement.)

Under the Program Participation Agreement, schools participating in the Federal Work-Study (FWS) Program must:

- make FWS employment reasonably available, to the extent of available funds, to all eligible students;
- award FWS employment, to the maximum extent practicable, that will complement and reinforce each recipient's educational program or career goals;
- assure that FWS employment may be used to support programs for supportive services to students with disabilities; and
- inform all eligible students of the opportunity to perform community services and consult with local nonprofit, governmental, and community-based organizations to identify those opportunities.

## CASH MANAGEMENT

When administering the FWS Program, schools must adhere to the cash management requirements of the General Provisions, which apply to all FSA programs (see volume 2).

Chapter 4 addresses additional procedures for paying FWS students.

## ALLOCATION AND REALLOCATION

As discussed in *Volume 4 - Campus-Based Programs Common Provisions*, a school applies for program funds annually through the electronic *Fiscal Operations Report and Application to Participate* (FISAP). The Department allocates funds directly to schools.

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### Reduction of allocation cite

34 CFR 673.4(d)(3)

If a school returns more than 10% of its FWS allocation for an award year, the school's allocation for the second succeeding award year will be reduced by the dollar amount returned, unless the Department waives this provision. The Department may do so for a specific school if the Department finds that enforcement would be contrary to the interests of the program. The Department considers enforcement to be contrary to the interests of the program only if the school returned more than 10% of its allocation due to circumstances that are beyond the school's control and are not expected to recur.

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### Reallocation cite

HEA Section 442(d)

Unexpended funds returned to the Department will be reallocated to an eligible school that used at least 5% of its total FWS allocation to pay students employed as reading tutors of children or performing family literacy activities in family literacy projects in the preceding award year. A school must request the reallocated FWS funds, and the school must have a fair-share shortfall to receive these funds. A school must use all the reallocated funds only to pay students employed in community service jobs.

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### Requesting reallocated FWS funds cite

Dear Partner Letter CB-02-15, dated September 2002

## TRANSFER OF FUNDS

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### Transfer of funds to FSEOG cite

34 CFR 675.18(e)

Your school may transfer up to 25% of its total FWS allocation (initial and supplemental) to the FSEOG Program. The Department's permission is not required. (Your school's total FWS allocation does not include funds carried forward or carried back from other award years. See chart.)

#### **GAPS: Transferred Funds**

Any FWS funds transferred to FSEOG must be entered in GAPS as an expenditure against the FWS program, not the FSEOG program.

Your school must match any FWS funds transferred to FSEOG at the matching rate of that program, but the match doesn't have to be made until the transfer has occurred.

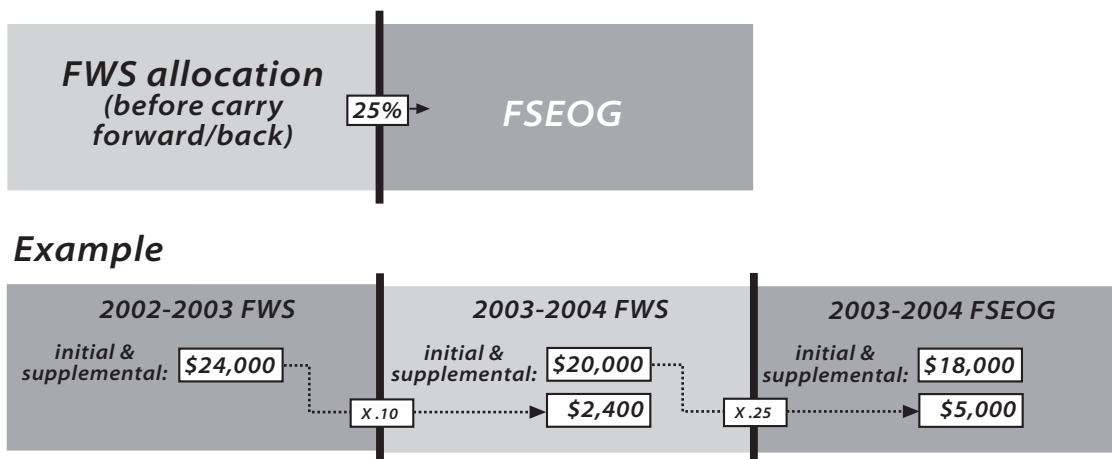
You must award transferred FWS funds according to the requirements of the FSEOG Program.

You must report any transfer of FWS funds on the Fiscal Operations Report portion of the FISAP.

A school that transfers FWS funds to the FSEOG Program must transfer any unexpended funds **back** to the FWS Program at the end of the award year.

A school's future program allocations are not affected by past transferring of funds between programs.

## Transfer from FWS to FSEOG



## CARRY FORWARD/CARRY BACK

Your school may spend up to 10% of its current year’s FWS allocation (initial and supplemental) in the **following** award year (carry forward). Before a school may spend its current year’s allocation, it must spend any funds carried forward from the previous year.

Your school is also permitted to spend up to 10% of its current year’s FWS allocation (initial and supplemental) for expenses incurred in the **previous** award year (carry back).

You may “carry back” funds for summer employment; that is, you may use any portion of your school’s initial and supplemental FWS allocations for the current award year to pay student wages earned on or after May 1 of the previous award year but prior to the beginning of the current award year (July 1). For example, a school is authorized to carry back any portion of its funds allocated from the 2003-2004 award year to pay FWS wages for summer employment between May 1, 2003 and June 30, 2003 (including both those dates).

On the FISAP, you must report funds that your school carries back and carries forward. For example, if a school carried forward 10% of

### GAPS: Funds Carried Forward/Back

Any FWS funds carried forward or carried back between award years must be entered in GAPS as an expenditure against the FWS authorization for the award year from which the funds were taken, not the authorization for the award year in which the funds were used.

#### Carry forward/carry back cite

34 CFR 675.18(b)

34 CFR 675.18(c)

## Carry Back/Carry Forward



its FWS 2002-2003 allocation to be spent in 2003-2004, the school must report this amount on the October 2003 FISAP, in Part V of the Fiscal Operations Report for 2002-2003.

The official allocation letter for a specific award period is the school's authority to exercise these options. A school may not carry forward or back FWS funds to any award year in which there is no specific FWS allocation.

Your school must match funds carried forward or carried back in the year that they are spent.

A school's future program allocation is not affected by carrying forward or carrying back funds between award years.

## LIMITATIONS ON USE OF FUNDS CARRIED FORWARD OR BACK

Schools are not permitted to add funds that are carried forward or back to the total FWS allocation for an award year when determining the maximum percentage of available funds that may be used in that award year for any of the following purposes (see next page):

- the transferring of FWS funds to FSEOG;
- providing the federal share of wages in private for-profit sector jobs; or
- the Job Location and Development (JLD) Program.

For example, for the 2003-2004 award year, a school may not add to the 2003-2004 total FWS allocation any FWS funds carried forward from 2002-2003 or carried back from 2004-2005 when determining the maximum percentage of available funds that may be used in 2003-2004 for the purposes listed above. The maximum amount usable for each of the three purposes listed in the previous paragraph is the appropriate percentage of a school's total 2003-2004 original FWS allocation plus any supplemental 2003-2004 FWS allocation.

## FEDERAL SHARE LIMITATION

The federal share of FWS wages paid to a student may not exceed 75%, with the following exceptions:

- The federal share of FWS wages paid to a student employed by a **private for-profit** organization may not exceed 50%.
- The FWS regulations authorize a 100% federal share of FWS wages paid to a student who is employed as a reading tutor for preschool-age children or elementary school children, a mathematics tutor for children in elementary school through ninth grade, or is performing family literacy

activities in a family literacy project that provides services to families with preschool-age children or elementary school children. The work performed by the student must be for the school itself, for a federal, state, or local agency, or for a private nonprofit organization. A school is not required to ask the Department for a waiver of the FWS nonfederal share requirement to receive the 100% federal share authorization for an FWS student employed in one of these jobs. Instead, the school should use 100% federal dollars to pay such a student and then show on its FISAP that it did so. A discussion of employing FWS students as tutors and in family literacy projects is in chapter 5 of this volume.

- The Department may authorize a federal share of 100% of FWS wages at schools designated as eligible schools under 34 CFR parts 606, 607, 608 or 609 (see chart). The work performed by the student must be for the school itself, for a federal, state, or local public agency, or for a private nonprofit organization. Your school is considered to have applied for a waiver of the nonfederal share requirement if your school is designated as an eligible school and your school submits a complete FISAP by the established deadline. Such schools will receive a letter from the Department indicating that they have been granted a waiver of the FWS nonfederal share requirement. (For more information, see pages 3-10 to 3-11 of **The Blue Book**, published February 2001.)

If your school files a FISAP on behalf of two or more separately eligible school locations, but not all of these locations are eligible, you must file a separate FISAP for any locations that are not eligible. Only those locations that are eligible will receive a waiver of the nonfederal share requirement.

- The FWS regulations authorize a school to pay a federal share of FWS wages to a student in excess of the current 75% limit but not exceeding 90% under the following specific conditions:
  - The student is employed at a private nonprofit organization or a federal, state, or local public agency. (Employment at the school itself is not eligible.)
  - The school does not own, operate, or control the agency. To satisfy this requirement, your school must keep a statement in the school’s file, signed by both the agency and the school, stating that they have no such relationship.
  - The school selects the agency on an individual, case-by-case basis. This requirement is satisfied when the school selects the agency through its normal process of selecting potential employers.

**Federal shares cites**

**Federal share limitation**

34 CFR 675.26(a)(1)

**Private for-profit organizations**

34 CFR 675.26(a)(3)

**Reading tutor and family literacy projects**

34 CFR 675.26(d)

**Strengthening institutions**

34 CFR 675.26(d)

**90% federal share**

34 CFR 675.26(a)(2)

**Restrictions cite**

34 CFR 675.26(b)

**JLD cite**

34 CFR 675.33(b)

<b>Part 606 ▶</b>
Developing Hispanic-Serving Institutions Program
<b>Part 607 ▶</b>
Strengthening Institutions Program
American Indian Tribally Controlled Colleges and Universities Program
Alaska Native and Native Hawaiian-Serving Institutions Program
<b>Part 608 ▶</b>
Strengthening Historically Black Colleges and Universities Program
<b>Part 609 ▶</b>
Strengthening Historically Black Graduate Institutions Program

**Wages from Federal Agency**

The portion of the FWS wages contributed as the institutional share by a federal off-campus agency are not considered part of the “federal share.” Thus, a federal agency may provide the required share of student compensation normally paid by off-campus agencies plus any other employer costs that they agree to pay.

- The agency must be unable to pay the regular nonfederal share. To satisfy this requirement, the school must keep in its file a signed letter from an official of the agency stating that the agency cannot afford to pay the regular nonfederal share.
- The 90% federal share is limited to no more than 10% of the students paid under the FWS Program. For purposes of this calculation, the school must use the total number of FWS students paid during the current award year. The 10% limit on the number of students paid with the 90% federal share does not include students whose FWS wages have been exempted from the full nonfederal share requirement due to being employed as a reading tutor, mathematics tutor, or performing family literacy activities.

The federal share of FWS wages paid to a student may be lower than 75% if the employer chooses to contribute more than the minimum required nonfederal share. For example, if a school has a large demand for FWS jobs from its various departments, it may contribute more than the usual 25% to allow for additional employment.

The federal share may **not** be used to provide fringe benefits such as sick leave, vacation pay, or holiday pay, or employer's contributions to Social Security, Workers' Compensation, retirement, or any other welfare or insurance program. These restrictions on the federal share apply even when the Department authorizes a federal share of 100% of FWS wages.

The federal share of allowable costs in carrying out the JLD Program may not exceed 80% of such costs. (See chapter 6 of this volume.)

## NONFEDERAL SHARE

The nonfederal share of a student's FWS wages must be at least 25% each award year, except in the cases listed above. (See previous section.)

Your school may use any resource available to pay its share of FWS compensation except federal funds allocated under the FWS Program. The school's share may come from its own funds, from outside funds (such as from an off-campus agency), or from both. However, if a student is employed by a private, for-profit organization, that organization must provide the nonfederal share.

Your school may also pay the institutional share with noncash contributions (see chapter 4). If the school's noncash contribution is less than the remaining 25%, the school must make up the difference in cash.

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### Nonfederal share cite

34 CFR 675.27

If the Department grants an institutional-share waiver to a school that is designated as an eligible school under 34 CFR parts 606, 607, 608 or 609 (see chart on previous page), that school has the **option** of providing an institutional share and determining the amount of the share. However, the institutional share requirements for employment provided by a private for-profit organization (50% federal-share limitation) or for the administration of the JLD Program (80% federal-share limitation) are never waived.

If a school receives more money under an employment agreement with an off-campus agency than the sum of (1) required employer costs, (2) the school's nonfederal share, and (3) any share of administrative costs the employer agreed to pay, the school must handle the excess in one of three ways:

- use it to reduce the federal share on a dollar-for-dollar basis;
- hold it in trust for off-campus employment during the next award year; or
- refund it to the off-campus employer.

Funds from programs sponsored by federal agencies (such as the National Science Foundation or the National Institutes of Health) may be used to pay the nonfederal share, as long as the programs have the authority to pay student wages. A school should contact the appropriate federal agency to see if the program in question does have this authority.

## USE OF ALLOCATED FUNDS

An approved school may use part of its FWS allocation for the purpose of meeting the costs of the Work-Colleges Program discussed in chapter 6.

A school may use up to 25% of its FWS allocation and reallocation for an award year to pay the wages of FWS students employed by private for-profit organizations.

### Community service jobs

There are two community service expenditure requirements that a school must meet. First, a school must use at least 7% of its FWS federal allocation for an award year to pay the federal share of wages to students employed in community service jobs for that year. Second, in meeting this 7% community service requirement, one or more of the school's FWS students must be employed as a reading tutor for children in a reading tutoring project or performing family literacy activities in a family literacy project.

A school may request a waiver of either or both of these requirements by providing in writing detailed information to support its waiver request. The waiver request must be received by the deadline

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#### Excess funds cite

34 CFR 675.26(c)

#### Allocation

The term **allocation** always refers to the *original* initial and supplemental allocation your school receives and never refers to an amount remaining after your school carries forward or carries back funds.

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#### 7% cite

34 CFR 675.18(g)

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#### Waiver request statement cite

Dear Partner Letter CB-02-11, dated June 2002

that is published annually in the Federal Register. The Department will approve a waiver only if it determines that the school has demonstrated that enforcing the requirements would cause a hardship for students at the school. The fact that it may be difficult for the school to comply with these requirements is not, in and of itself, a basis for granting a waiver.

The Department issues a letter annually on the FWS community service waiver process and deadline. To request a waiver for the 2003-2004 award year, a school must submit its waiver request and any supporting information to the Department by June 27, 2003. The waiver request must be signed by an appropriate school official, and above the signature the official must include this statement: "I certify that the information I provided in this waiver request is true and accurate to the best of my knowledge. I understand that the information is subject to audit and program review by the U.S. Department of Education." If a school official has any questions regarding the FWS community service expenditure requirements or waiver procedures, he or she may contact FSA's Campus-Based Call Center at 1 (877) 801-7168.

The Department has not specified the circumstances that would allow a school to receive a waiver of the community service requirements in order to allow flexibility for consideration of all factors that may be valid reasons for a waiver. The Department in the past has approved a limited number of waivers of the community service expenditure requirements for schools that have demonstrated that enforcing these requirements would have caused a hardship for their students. (See examples of waiver requests approved by the Department in the box on the facing page.) These examples are not the only circumstances that may result in approval of a waiver request.

FWS community service expenditures for the 2002-2003 award year are reported on the FISAP that is due October 1, 2003.

When a school receives reallocated FWS funds, the minimum amount of FWS federal funds the school must expend on community service jobs is the greater of:

- 7% of its total FWS federal allocation for an award year; or
- 100% of the amount of its reallocated FWS federal funds.

## OFF-CAMPUS AGREEMENTS

If your school would like an off-campus organization to employ FWS students, your school must enter into a written agreement—a contract—with the off-campus organization. A written agreement is required with the off-campus organization even if your school is considered the employer of the FWS student. The school must make sure the off-campus organization is a reliable agency with professional direction and staff and that the work to be performed is consistent with the purpose of the FWS Program. (See Appendix A at the end of

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### Off-campus agreements cite

34 CFR 675.20(b)



## COMMUNITY SERVICE APPROVED WAIVER EXAMPLES

### Case Study #1 - Small FWS allocation

The school had a very small FWS allocation. The supporting information submitted by the school noted that 7% of the school's allocation only provided enough funds for a student to work for a short period of time. Therefore, the school was unable to find placement for a student in community service.

### Case Study #2 - Rural area

The school was in a rural area that was located far away from the types of organizations that would normally provide community service jobs. The school provided information that showed that its students lacked the means of transportation to get to the town where the community service jobs were located. In a similar waiver request in which transportation did exist, a school provided documentation that showed that the transportation costs were extremely high for the students.

### Case Study #3 - Specialized program

The school offered only a single program of specialized study that required its students to participate in extensive curriculum and classroom workloads. The school provided information that demonstrated that this specialized educational program prevented the students from performing community service jobs at the time those work opportunities were available.

*These examples are not the only circumstances that may result in approval of a waiver request.*

this chapter for a model off-campus agreement. The sample need not be followed exactly but serves as a guide.)

The agreement should specify what share of student compensation and other costs will be paid by the off-campus organization. For-profit organizations **must** pay the nonfederal share of student earnings. Any off-campus organization **may** pay:

- the nonfederal share of student earnings;
- required employer costs, such as the employer's share of Social Security or Workers' Compensation; and
- the school's administrative costs not already paid from its ACA.

The agreement sets forth the FWS work conditions and establishes whether the school or the off-campus organization will be the employer for such purposes as hiring, firing, and paying the student. The employer is generally considered to be the entity that will control and direct the work of the FWS students—supervising them at the work site, regulating their hours of work, and generally ensuring that they perform their duties properly. However, the school is ultimately responsible for making sure that payment for work performed is properly documented and that each student’s work is properly supervised.

The agreement should define whether the off-campus organization will assume payroll responsibility and bill the school for the federal share of the students’ wages, or whether the school will pay the students and bill the off-campus organization for its contribution. The school must make up any payments the off-campus organization does not make. It is the school’s responsibility to ensure that FWS payments are properly documented, even if the off-campus organization does the payroll. To fulfill that responsibility, the school must keep copies of time sheets and payroll vouchers and keep evidence that the students were actually paid (usually copies of the canceled checks or receipts signed by the students). (Payroll records are discussed in detail later in this chapter.)

The school is also responsible for ensuring that each student’s work is properly supervised. School officials should periodically visit each off-campus organization with which they have an off-campus agreement to determine whether students are doing appropriate work and whether the terms of the agreement are being fulfilled.

The agreement must state whether the school or off-campus organization is liable for any on-the-job injuries to the student. The employer is not automatically liable. Federal FWS funds cannot be used to pay an injured student’s hospital expenses.

In determining whether to continue an off-campus agreement, many schools have found it helpful to require that students submit a formal evaluation of their work experience at the end of the assignment. The school may also use the evaluation to help off-campus agencies improve their work programs.

Staff members of the off-campus organization must become acquainted with a school’s financial aid and student employment programs to better understand the school’s educational objectives. The school must supply the off-campus organization with this information.

## ADMINISTRATIVE COST ALLOWANCE

A school participating in the FWS Program is entitled to an administrative cost allowance (ACA) if it provides FWS employment to its students in that award year. (See volume 4 for additional

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### Administrative costs cite

34 CFR 673.7(f)

information.) The allowance may be used to help offset administrative costs such as salaries, furniture, travel, supplies, and equipment.

A school may use up to 10% of the ACA attributable to the school's FWS Program expenditures to pay administrative costs of conducting its community service program. These costs may include the costs of:

- developing mechanisms to ensure the academic quality of a student's experience;
- ensuring student access to educational resources, expertise, and supervision necessary to achieve community service objectives; and
- collaborating with public and private nonprofit agencies and programs assisted under the National and Community Service Act of 1990, in the planning, development, and administration of these programs.

A school may use a portion of its administrative cost allowance (ACA) to cover the costs of training an FWS tutor. A school may also use a portion of its ACA to cover expenses that are related to employing a student as a tutor with a local school district and that the school may not incur with another organization. If, for example, a school district requires all employees to undergo a background check and be fingerprinted at a cost of \$40 per employee, the postsecondary school may use a portion of its ACA to cover this cost. The FWS Program does not provide for any additional funds beyond the ACA for technical assistance and training of tutors.

## RECORDKEEPING REQUIREMENTS

Schools must adhere to the recordkeeping requirements in the General Provisions (see volume 2). Additional requirements specific to the FWS Program follow.

The school must establish and maintain an internal control system of checks and balances that ensures that no office can both authorize FWS payments and disburse FWS funds to students.

If the school uses a fiscal agent for FWS funds, that agent may perform only ministerial acts.

Each year the school must submit a *Fiscal Operations Report* and other information the Department requires. The information must be accurate and must be provided on the form and at the time the Department specifies. (See volume 4 for a discussion of the FISAP.)

### **Payroll records**

In school records, schools must distinguish expenditures for FWS compensation from other institutional expenditures. You should enter FWS compensation on a separate voucher or, if listed on the general

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**Recordkeeping requirements cite**  
34 CFR 675.19(b)

payroll voucher, you should group FWS compensation separately from other compensation. If payrolls are handled on automatic data processing equipment, you should identify FWS with a special code.

You must establish and maintain program and fiscal records that are reconciled at least monthly. The records must include:

- a payroll voucher containing sufficient information to support all payroll disbursements;
- a noncash contribution record to document any payment of the school's share of the student's earnings in the form of services and equipment; and
- a certification by the student's supervisor, an official of the school (or off-campus agency) that each student has worked and earned the amount being paid. Your school may use an electronic certification process described below. The school may still continue to have the FWS student's supervisor sign a paper certification. If the students are paid on an hourly basis, the certification must include or be supported by a time record showing the hours each student worked in clock time sequence, or the total hours worked per day.

### ***Electronic certification***

As noted above, a school may use an electronic certification by an FWS student's supervisor that the student has worked and earned the amount being paid. This electronic certification enables a school to implement an electronic payroll system for its FWS students.

A school that uses an electronic certification must adopt reasonable safeguards against possible fraud and abuse. The school should provide a secure electronic certification through an electronic payroll system that includes:

- password protection;
- password changes at set intervals;
- access revocation for unsuccessful log-ins;
- user identification and entry-point tracking;
- random audit surveys with supervisors; and
- security tests of the code access.

### ***Payroll vouchers***

Payroll vouchers must support all payroll disbursements and should provide space for the following information:

- the school's name and address;
- the starting and ending dates of the payroll period;
- the student's name;

- an identification of the student's job;
- the number of hours worked during the pay period;
- the hourly rate of pay for an undergraduate student;
- the hourly rate of pay or salary for a graduate student;
- the student's gross earnings;
- any compensation withheld for federal, state, county, or city taxes, and other deductions;
- any noncash payments;
- the student's net earnings;
- a check number, duplicate receipt, or other payment identification; and
- any overtime earnings (a student may be paid overtime with FWS funds).

### ***Job descriptions***

Each FWS position should have a job description that includes the following:

- the name and address of the student's employer (department, public agency, nonprofit organization);
- the purpose of the student's job;
- the student's duties and responsibilities;
- the job qualifications;
- the job's wage rate or range;
- the length of the student's employment (beginning and ending dates); and
- the name of the student's supervisor.

The job description has several purposes:

- It clearly defines whether the job qualifies under the FWS Program.
- It provides the information needed to explain the position to a student and to help him or her select the type of employment most closely related to his or her educational or career objectives.
- It helps the financial aid administrator, the student, and the supervisor determine the number of hours of work required at the specified wage rate to meet a student's financial need.
- It establishes a written record, for both student and employer, of the job's duties and responsibilities so that there will be no misunderstanding.

If a student is employed with an agency or organization that provides community services, the school should, as with any other FWS

position, have a job description that includes the duties and the responsibilities. Schools should use the job description to verify that the job meets the definition of community services in the FWS regulations. (See chapter 5.)

### ***Reading and mathematics tutors and family literacy activities***

Your school must be able to identify the FWS students who performed reading or mathematics tutoring or family literacy activities. You must also be able to provide the job description that demonstrates that these students worked as reading or mathematics tutors of children or performed family literacy activities in a family literacy project, and you must have records supporting the hours worked and the amount paid to the FWS reading tutors.