Federal Student Aid (FSA)
Five-Year Strategic Plan

We Help Put America Through School

FY 2004-2008

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FEDERAL STUDENT AID
We Help Put America Through School

June 2004

Dear Customers and Stakeholders,

I am pleased to present the Federal Student Aid (FSA) Five-Year Strategic Plan. It describes FSA's strategic direction, objectives, goals, and success measures for the Fiscal Years 2004 – 2008. Like other documents of this type, the Five-Year Plan (Plan) is more detailed in its first and second years, in terms of specific goals and success measures, than in its later years. The last years of the plan are directional in nature and subject to the uncertainties of business needs, the availability of resources, capital and operating funding, policy and political considerations, statutory and regulatory requirements, and the continuity of leadership. Because of these uncertainties, FSA's Plan will be updated annually as information becomes available and as FSA reviews and adjusts its objectives, goals, and success measures.

The plans for the future clearly demonstrate FSA's commitment to deliver the right aid, to the right people, at the right time. FSA is dedicated to providing seamless and superior service in its daily operations, and to its goal of creating better system solutions and business processes that help to ensure program integrity, provide better customer service, and reduce the cost of program administration.

I look forward to working with all of you in the coming years as we continue to provide outstanding customer service, to integrate our systems, and to ensure the appropriate management and oversight of the federal student aid programs.

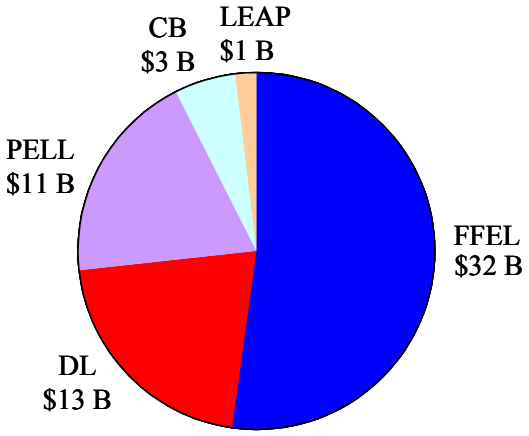
Sincerely,

Theresa S. Shaw
Chief Operating Officer

OVERVIEW

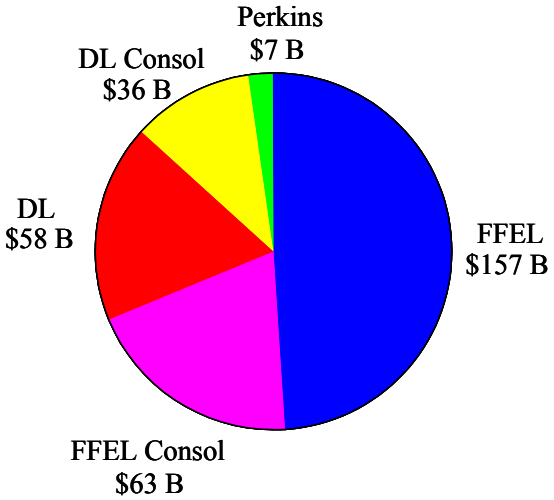
Federal Student Aid (FSA) within the U.S. Department of Education (ED) manages and administers the postsecondary student financial assistance programs, commonly known as the Title IV programs. These programs include the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, the Federal Pell Grant Program, the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, the Federal Perkins Loan Program, the Federal Work-Study (FWS) Program, the Leveraging Educational Assistance Partnership (LEAP) Program, and the Special Leveraging Educational Assistance Partnership (SLEAP) Program. These programs are the nation's largest source of student aid, and provided a total of approximately $60 billion in new aid to nearly nine million postsecondary students in FY 2003. In addition to managing these programs, FSA directly manages or oversees approximately $321 billion in outstanding loans representing over 22 million borrowers.

Total New Federal Aid in FY 2003



$60 Billion

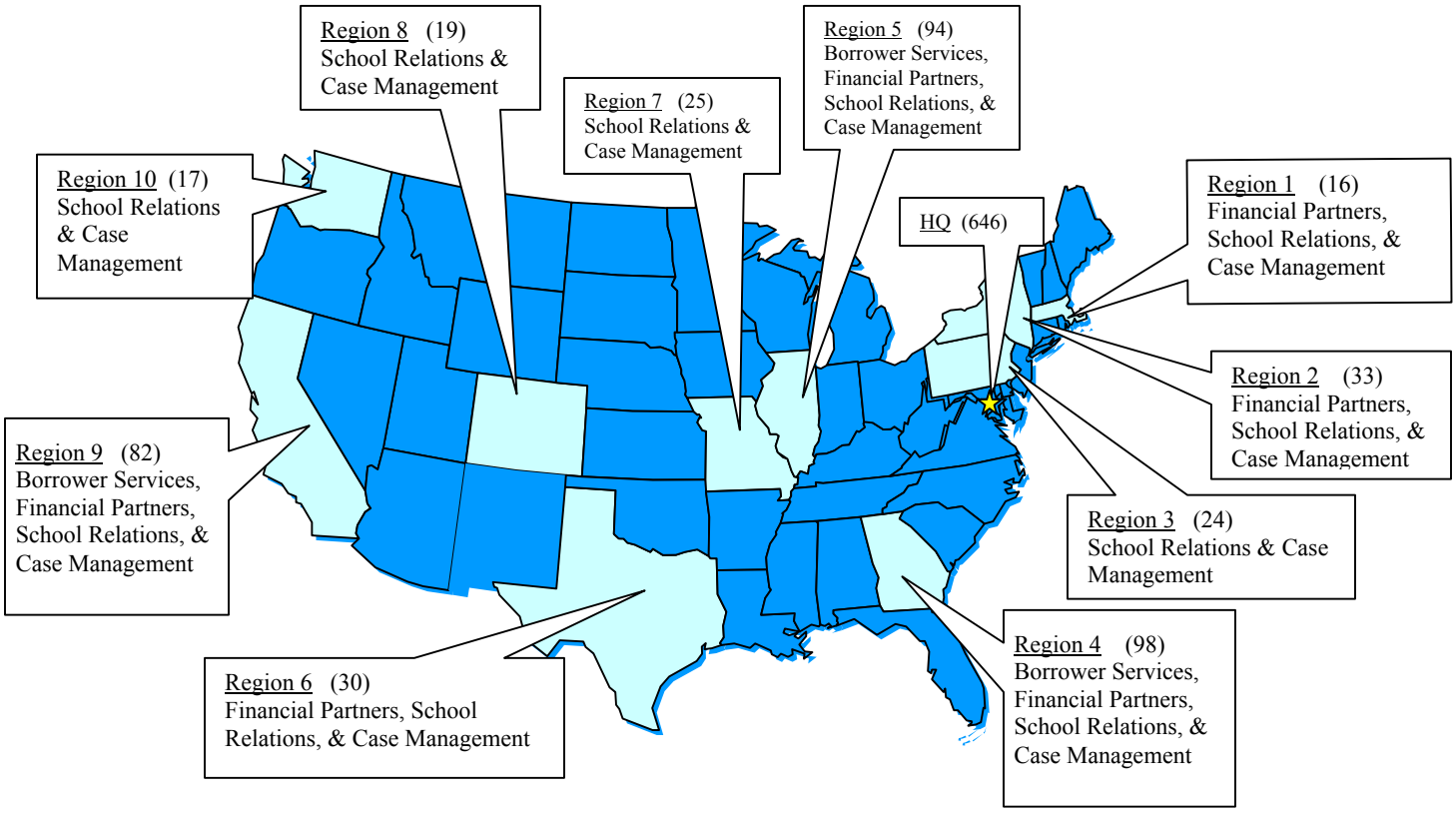
Total Federal Student Loan Portfolio



$321 Billion

To carry out its responsibilities, FSA receives an annual operating budget. In FY 2004, that budget was approximately $600 million. FSA has a staff of nearly

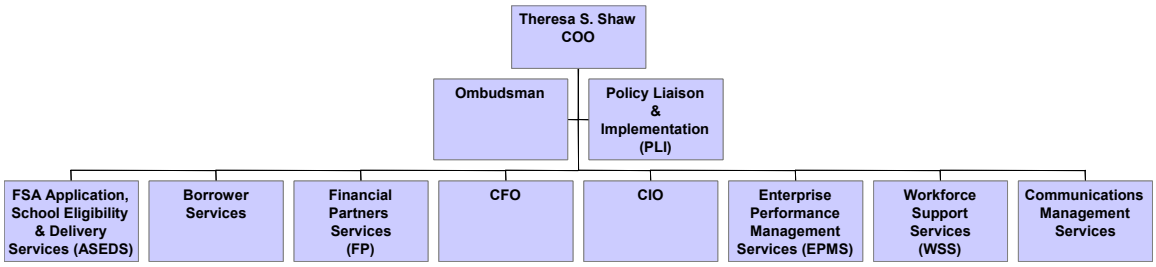
1,100, augmented by 3,800 contractors who provide outsourced business operations. Together, these staff and contractors operate and maintain the many systems and processes used by FSA to manage the federal student aid programs. The employees and contractors are based in locations throughout the country, including Washington, DC and ten regional offices. The states with regional offices are indicated by light blue in the map below; the number in parentheses represents the number of FSA employees in each region.



FSA's senior executive, the Chief Operating Officer (COO), is appointed to a five-year term by the Secretary of Education. This appointment is made on the basis of demonstrated management ability and expertise in business process re-engineering, student aid delivery and servicing operations, large-scale technology rollout and integration, system implementations and upgrades, vendor and contract management, budgeting and cost control, and financial and operational management. The current COO is Ms. Theresa S. Shaw. In 2003, she proposed a new functional organization structure for FSA. The new structure

aligns the organization with FSA's strategic drivers, business objectives, and operational goals, and was approved by the Department and implemented on July 13, 2003.

FSA ORGANIZATION STRUCTURE



To support and enforce the integrity of the federal student aid programs, FSA and the schools, lenders, and guarantors who participate in the programs are audited to evaluate the adequacy and efficiency of operations and systems. Audits of FSA and student aid programs are conducted by the General Accounting Office, the Office of Inspector General and independent accounting firms. Independent accounting firms commonly audit schools, lenders and guaranty agencies. In addition, FSA program offices, guaranty agencies and accrediting bodies conduct reviews of program participants. These reviews and audits also ensure that management, internal controls, and financial management systems comply with the standards established by the Federal Managers' Financial Integrity Act (FMFIA), the Federal Financial Management and Improvement Act (FFMIA), the Paperwork Reduction Act, the Computer Security Act, and the Office of Management and Budget (OMB) Circulars.

Recent reports by GAO addressing FSA's daily operations note the significant progress made by the Department and FSA in addressing long-standing issues that made FSA's programs vulnerable to fraud, waste, abuse, and mismanagement.[1] Most notable is the achievement of a clean financial statement audit opinion for both the Department and FSA for FY 2002 and FY 2003. As FSA continues to improve its program and operational management, it expects similarly positive evaluations in the future.

[1] GAO-03-872T, GAO-03-885R

Considerable progress has been made in administering the federal student aid programs since FSA became a Performance-Based Organization (PBO) in 1998. FSA recognizes the importance of a long-term strategic plan to guide its efforts to improve its oversight and administration of the federal student aid programs and to fulfill FSA's mission as a PBO. FSA developed this Five-Year Plan (the Plan) to set forth its strategic direction, objectives, and tactical goals over the five-year period beginning in FY 2004. The Plan is based on the following ED and FSA strategic drivers:

- PBO legislation
- Customer needs
- The President's Management Agenda
- GAO List of High-Risk issues
- The Department's Strategic Plan

The Plan is also built around major cross-ED initiatives, such as the One-ED Competitive Sourcing Initiative, that will likely shape FSA's organization and business processing profile. FSA has defined strategic objectives that outline specific priorities linked to these strategic drivers, and it has established tactical goals to achieve its strategic objectives. In presenting these strategic drivers, strategic objectives, and tactical goals, FSA notes that some initiatives require coordination, resources, and support from other offices in the Department.

Additionally, the Plan was developed with the following set of assumptions:

- FSA's status as a PBO will be maintained and FSA will continue to operate with the enterprise flexibilities granted in the establishing legislation.
- FSA will continue to receive clean financial statement audit opinions.
- GAO will remove the federal student aid programs from the High-Risk List.
- FSA will be constrained by operating budgets that are flat or reduced year after year.
- FSA's workload demand will continue to increase as program participation, loan, and award volume increase.
- The Direct Loan and FFEL Loan programs will continue to exist as federal student aid programs available to students and schools.

STRATEGIC OBJECTIVES

The five strategic objectives established by FSA are statements of its broad aims over the next five years. More specific plans can be found in the tactical goals.

Strategic Objective One:
Integrate FSA systems and provide new technology solutions.

FSA will improve efficiency and productivity, reduce system maintenance and overhead costs, and increase the operating ease for users of FSA's systems. FSA will continue to provide appropriate and integrated technology solutions that enable the delivery of federal student aid in an efficient and cost-effective manner. In addition, FSA will establish a plan to take advantage of new technologies to improve application processing, customer service, productivity, and efficiency. Appendix A maps FSA's technology improvement plan to create a less complicated environment. Appendix B illustrates the evolution of FSA's business application consolidation, showing integration efforts to date and future initiatives.

Strategic Objective Two:
Improve program integrity.

FSA will ensure that aid under the federal student aid programs is delivered directly by FSA and through school, lender, and guarantor participants in a manner that reduces the vulnerability of these programs to fraud, waste, error, and mismanagement. FSA is continually working to improve program integrity and is committed to demonstrating responsible management of the programs targeted for removal from the GAO High-Risk List.

Strategic Objective Three:
Reduce program administration costs.

FSA will reduce the cost of administering the federal student aid programs through:

- strong financial, operational, and budget management;
- the re-engineering of overly complex business processes; and
- simplification of FSA's business application and computing environment to reduce system complexity, minimize integration challenges, align contracts, and reduce vendor management. The aim is

to improve the exchange of data with program participants and across the FSA enterprise.

In recent years FSA has maintained a relatively flat operating budget while supporting continued increases in program volume and workload. FSA's ability to manage and control operating expenses is based on a philosophy of good fiscal management and continuous process improvement—practices that increase productivity and operational efficiencies—as well as innovation in FSA's products, services, and supporting technologies.

Strategic Objective Four: Improve human capital management.

Human capital management is a critical component of FSA's current business operations and future initiatives. FSA is continuing to grow into an organization that empowers individuals to perform at a high level of effectiveness and efficiency. FSA is utilizing innovative hiring and employee development techniques aimed at attracting and retaining highly qualified individuals to create a more productive, results-oriented workforce. Additionally, the organization is committed to workforce development and training to ensure a skilled and highly qualified professional workforce.

Strategic Objective Five: Improve products and services to provide better customer service.

FSA will make a continuous effort to improve its products and services to students and families and program participants such as schools, lenders, and agencies. Being aware of the concerns of customers is a critical component of FSA's efforts to improve federal student aid products and services. In FY 2003, FSA established new baseline measures for customer service levels, which will assist in this effort. FSA intends to reduce the complexity of its products and services, ensure that compliance is maintained, provide customers with 24/7 access, and promote increased self-service by customers. In addition, FSA will develop strategies to provide integrated solutions for customers.

TACTICAL GOALS

FSA has established tactical goals for achieving each of its strategic objectives. The timelines, milestones, and success measures associated with these tactical goals are evaluated on a continual basis to ensure their alignment with current business needs, the allocation of resources, the availability and allocation of capital and operating funds, policy considerations, statutory and regulatory requirements, and continuity of leadership and direction.

Removal from the GAO High-Risk List

FSA is committed to the permanent removal of the federal student aid programs from the GAO High-Risk List. This commitment was evident when FSA and the Department received a clean audit opinion on their FY 2002 and FY 2003 financial statements. In FY 2003, the Secretary of Education made a formal request to GAO for mid-cycle reconsideration of the high-risk designation based on demonstrable progress in addressing the issues that had caused the federal student aid programs to be designated high-risk in 1992. Although GAO acknowledged FSA's improvements, it declined to consider this request in FY 2003 for two principal reasons: (1) GAO wants to ensure the sustainability of the reforms FSA and the Department implemented in financial management, and (2) GAO does not want to set a precedent for other organizations by conducting an out-of-cycle assessment.

In FY 2004, and in every subsequent year of the Five-Year Plan, FSA will carry out its program to ensure that sustainable internal controls, system support, and management focus are in place and to demonstrate that the federal student aid programs are administered through sound financial management and oversight.

Sound Financial Management

FSA's efforts to improve program integrity include the ongoing strengthening of its financial management and internal controls, so that reliable and timely information is available to FSA's management for critical day-to-day business operations. FSA intends to maintain the number of days from month-end required to reconcile FSA's major business system transactions to the General Ledger through FY2008. It was reduced from 45 days in 2002 to 30 days in 2003.

In addition, FSA is working toward a seamless financial management system that provides automated reconciliation and system balancing. The teams under the Department's Office of the Chief Financial Officer (OCFO) and FSA's CFO are working jointly to define requirements for implementing the new Oracle 11i Financial Management System. Their goal is to implement a single system that meets the requirements of both the Department and FSA.

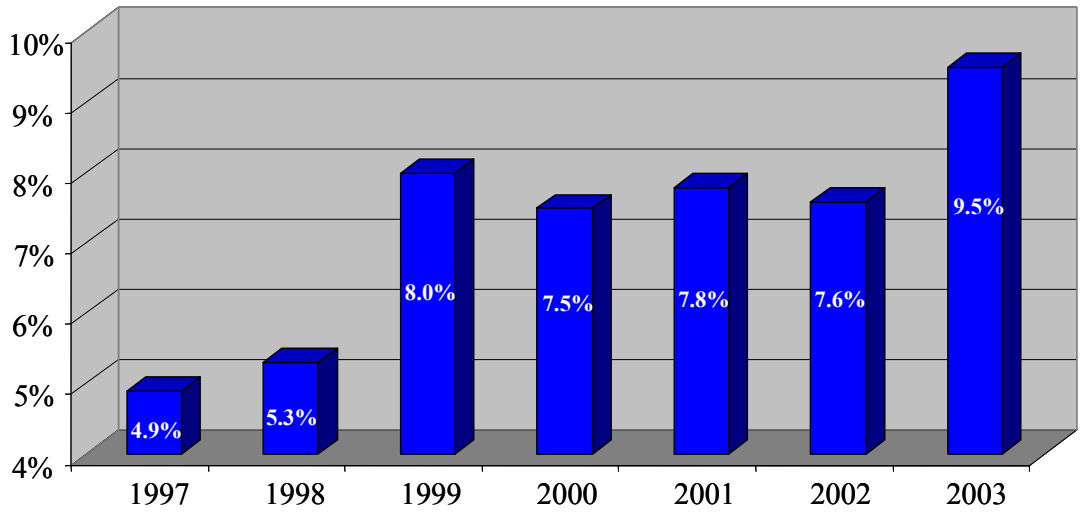
Activity-Based Costing

In FY 2003, FSA continued to enhance the Activity-Based Costing (ABC) model to obtain improved cost data and analysis. In FY 2004, FSA will reevaluate its baseline costs, focusing on data quality and reporting on business process metrics to better inform management and the public about FSA costs.

Default Prevention and Management

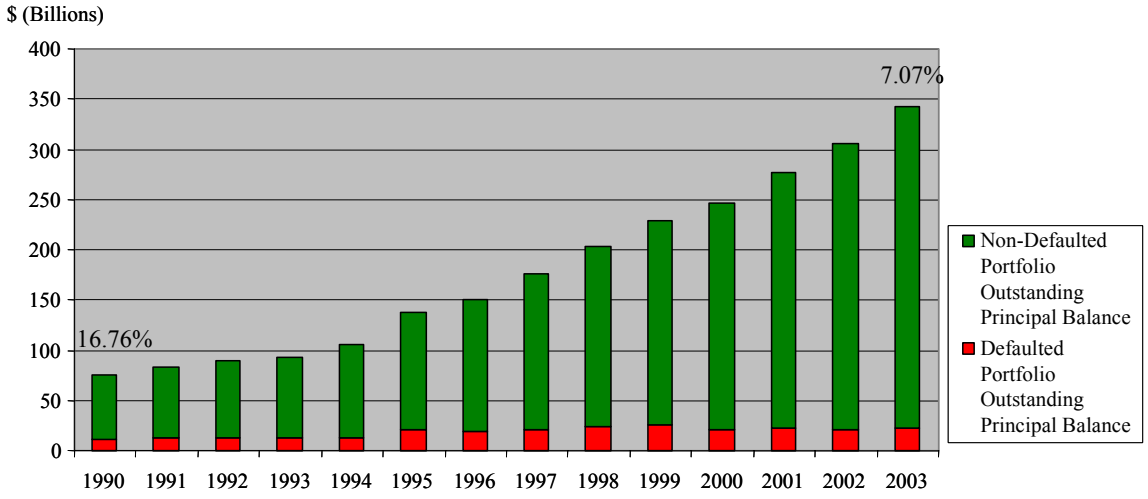
As stated in the Department's Strategic Plan, FSA has committed to meeting specific default recovery rates. The default recovery rate is defined as the sum of FSA's collections on defaulted loans – less consolidations – divided by the outstanding default portfolio at the end of the previous year. FSA achieved a default recovery rate of approximately 9.5 percent in FY 2003, and it expects to increase that figure to at least 10 percent by FY 2005.

Default Recovery Rate



To improve its ability to identify risks, FSA created a new organizational function for Portfolio Risk Management in FY 2003. This function will integrate strategies and resources in student loan default management and prevention, and will focus on mitigating loss in the federal student loan programs. It will inventory existing default prevention strategies across the organization, identify and validate FSA-wide areas of default prevention strategy, and align the current initiatives with those strategy areas. In FY 2004, this unit will identify opportunities for improved default prevention effectiveness and develop action plans for implementation. FSA will also perform outreach to institutions, guaranty agencies, and the FFEL and Direct Loan community to share information, strategies, and successes. FSA recognizes that economic conditions may affect defaults; consequently, beginning in FY 2005, FSA will analyze and mitigate risk for the federal student loan program loan portfolio and will continue to analyze risk exposure in other areas such as consolidation loans and repayment. Since 1990, the non-default portfolio has increased by over $250 billion, while the ratio between defaulted dollars to non-defaulted dollars has dropped nearly 10 percentage points.

Defaulted to Non-Defaulted Portfolio

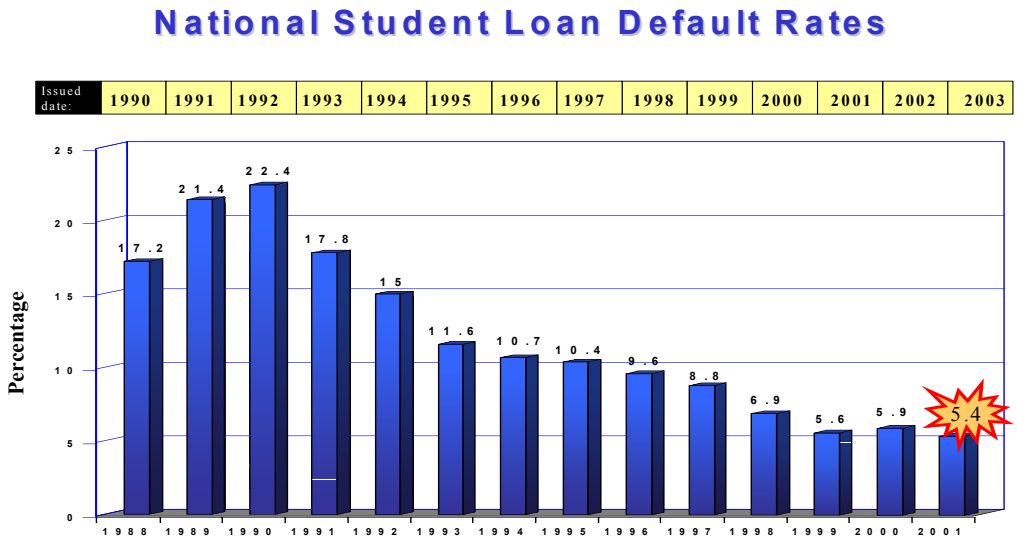


Program Monitoring and Oversight

In FY 2003, FSA began a design and sequencing plan for re-engineering its school case management and oversight business processes to reduce decision-making time and achieve increased consistency of outcomes on FSA institutional oversight activities. The implementation of this re-engineering will begin in FY 2004 and is targeted for completion in FY 2005. The re-engineering will ensure consistent compliance and an effective enforcement strategy, balancing education, assistance, and enforcement activities, and ensuring access to the federal student aid programs. Last year FSA implemented the use of electronic audits and financial statements as well as the development and delivery of program integrity training for schools. For FY 2005–08, FSA will continue to improve program reviews, improve reporting capabilities on audit findings, to enhance collaboration with OIG to identify and address risks in the federal student aid programs, and to work with other agencies and organizations to identify additional areas for improvement.

In August 2002, the Secretary of Education, along with the Secretary of the Treasury and the Director of the Office of Management and Budget, sent proposed legislation to Congress to allow for routine data matches with the Internal Revenue Service (IRS). These matches are intended to strengthen the financial integrity of the federal student aid programs by allowing applicant income information submitted on the federal student aid form to be matched with information from federal income tax records. The Administration's FY 2005 budget request to Congress assumed that it would have the authority and the appropriation to perform such matches. In the Plan, FSA will work to develop and strengthen interfaces with other source data agencies.

The national student loan default rate issued in FY 1992 reached a high of 22.4 percent and has declined steadily to 5.4 percent, the rate issued in FY 2003. For the first time ever, in FY 2003 all schools had rates low enough to ensure they remain eligible for federal financial aid programs. This is due to the concerted efforts of the Department, colleges and universities, and the private sector partners in the loan programs for their ongoing efforts to counsel borrowers and inform them of the numerous, flexible repayment options.



FSA is committed to the integrity of the Pell Grant Program and increasing the accuracy of Pell grant awards. The percentage of Pell grant erroneous payments, defined as the both over- and under- payments, in FY 2003 was 4.9 percent and FSA will continue to strengthen its control, processes, and procedures to ensure correct Pell grant awards. FSA expects to maintain this payment percentage for the next five years. If the recently introduced legislation amending the Internal Revenue Code to allow matching of student aid application data with the Internal Revenue Service (IRS) is enacted, FSA expects, after a reasonable implementation time frame, a further reduction in the number and amounts of erroneous awards in the Pell Grant Program.

FSA intends to enhance the integrity of its programs by helping to inform the policy process. In FY 2004, FSA will research and develop an improved mechanism for FSA offices to obtain data for use on policy inquiries. In the remaining years of the Plan, FSA will continue to address operational and program integrity improvements and make recommendations for statutory, regulatory, and policy changes to make the improvements.

Enterprise Data Strategy

FSA is committed to the development of a comprehensive Enterprise Data Strategy (EDS). This strategy will address the following data concerns: (1) the business flow of data across the enterprise; (2) data structure and architecture; (3) primary ownership; (4) standards; (5) management and governance; (6) access methods; and (7) quality and integrity. The strategy will ensure that accurate and consistent data is exchanged between FSA's systems and its employees, customers, and partners as well as compliance and oversight organizations. It will make improvements in data quality consistency a priority. It will support FSA's program-wide goal of maintaining a clean financial statement audit opinion and FSA's plan to have the federal student aid programs removed from the GAO High-Risk List. It will provide a comprehensive and integrated view of federal student aid program data and will make this data accessible to FSA's partners. (As noted, Appendixes A and B illustrate FSA's technical improvement plan and integration efforts.)

FSA's development of EDS has been completed in the first quarter of FY 2004. The EDS includes implementation and sequencing plans which define and order the work so that all elements of the EDS can be implemented over the next several years. This will include the alignment of those systems that require re-engineering and business process integration with the final EDS, as well as the sequencing of those systems for delivery over the next several years. The sequencing and implementation plans will be incorporated into the Plan as they are completed.

FSA will work with the community and its trading partners to create and implement standard data definitions and terminology to increase the accuracy of data—and therefore program integrity—and to improve the electronic transmission of data between FSA and external partners. In FY 2003, FSA began defining an enterprise data strategy and a high-level implementation approach to address various concerns regarding data: business flow across the enterprise, architecture, primary ownership, standards, management, access methods, and integrity and quality.

In FY 2004, FSA expects to begin implementing the XML framework for data delivery and the XML Institutional Student Information Report (ISIR). FSA will also begin analysis for re-engineering the National Student Loan Data System

(NSLDS). This major re-engineering initiative is intended to provide accurate, concise, and timely data to internal and external customers, to improve the quality and usability of data, and to enhance data exchanges between NSLDS and its customers. Full implementation of the EDS is a high priority for FSA for the next several years.

FSA will continue to work with the Department and external stakeholders to identify business needs regarding data, whether that data originates outside of FSA or within the agency. FSA plans to establish a data quality assurance strategy and implementation plan. To this end, FSA will create a data quality committee comprised of business experts and technical subject matter experts to ensure that enterprise data standards are addressed in FSA's progress toward an integrated system solution to support business functions.

FSA's Enterprise Data Strategy will also lead to improved products and services, resulting in greater customer satisfaction. Beginning in 2005, FSA will work with its external partners to address recommendations and establish schedules that show how borrowers, lenders, guaranty agencies, and schools can access the data they need. One of FSA's primary concerns will be its collaboration with the higher education community on a comprehensive, simplified, and appropriate point of entry to make relevant and privacy protected information available to FSA's partners and to ensure that they have a streamlined and efficient method for data transmissions with all FSA systems.

In addition, FSA will identify opportunities for streamlining business processes and, as much as possible, ensure that all processes are Internet-enabled. In FY 2003, for example, FSA introduced *EDExpress on the Web* to participants supporting federal student aid delivery processing, including schools and third-party servicers. *EDExpress on the Web* supports use of the XML common record, also called "full participation" in Common Origination and Disbursement (COD); the current suite of EDExpress software functionality is available through a Web-based application. FSA will continue to promote the use of the *Free Application for Federal Student Aid* (*FAFSA) on the Web*, which now accounts for 65 percent of total applications submitted.

In FY 2005 and continuing through FY 2008, FSA will work with its external partners to address recommendations and establish schedules for ensuring that borrowers, lenders, guaranty agencies, and schools have access to the data they need while ensuring the privacy rights of the recipient.

Common Services for Borrowers

In FY 2004, FSA has begun Common Services for Borrowers (CSB), an initiative to improve and simplify back-end services. This project will be fully implemented by FY 2006, and is anticipated to save taxpayers $1 billion over the ten-year term of the contract. CSB will combine the best practices of the federal government and industry to ensure a seamless relationship with FSA customers throughout the repayment process, focusing on Direct Loan borrowers and defaulted borrowers. To ensure customer satisfaction, a Customer Relationship Management (CRM) team is included as a major component of CSB. The CRM team will monitor the prompt and appropriate handling of incoming and outgoing mail, ensuring clear, accurate, and complete responses to FSA customers. Within the CRM system, FSA will implement an integrated common platform to manage customer interactions. This common platform will include customer call centers with warm transfer capability. It will also include a customer-friendly interactive voice response (IVR) system and expanded Internet services. With the implementation of the CSB system, FSA expects to see further improvements in customer satisfaction for its Direct Loan and defaulted borrowers.

Improved Student Loan Delivery Services

The fragmented front-end business processes and systems of FSA complicate the delivery of federal student aid for applicants and their parents as well as for borrowers, schools, and delivery partners. The lack of integration of information, processes, and their support systems impairs the delivery of services for FSA employees and operating partners. FSA will address this problem in FY 2004 by initiating the creation of an enterprise-wide, integrated, front-end delivery service. The FSA task team will define the scope of the initiative and prioritize the steps. The front-end business integration team will conduct market research and industry benchmarking to assess the vendor community's ability to provide feasible solutions; at the same time, FSA will encourage the small business community to participate in the delivery of solutions. FSA will then determine the target state and formulate a new, front-end, integrated business plan. This Front-End Business Integration (FEBI) project will identify opportunities for streamlining processes and areas of cost reduction across FSA; it will join with other FSA foundational initiatives to ensure the implementation of the target state and new integrated solutions beginning in FY 2005.

Enterprise Procurement Plan

The Enterprise Procurement Plan (EPP) was developed in FY 2003 to provide a strategy for planning, executing, and managing acquisitions within FSA. The EPP defines what is required to fulfill the mission, respond to needs, optimize resources, and satisfy policy requirements for future acquisitions. The EPP allows program management flexibility while giving officials (coordinating and approving) adequate information on the technical and business aspects of future acquisitions. To this end, EPP has set the following goals:

- The government will get what it needs, when it is needed.
- Business arrangements will be sound and equitable.
- Risks due to concurrent development/production/transition will be managed/mitigated.
- The national goals of competition and small business utilization will be supported.

In addition to allowing all participants in acquisitions planning to establish a logical and systematic approach to meeting government business needs, the EPP serves other critical purposes. It is used to communicate the program office's approach to FSA senior management and to the Secretary of Education, whose expectations for the EPP include the following: (1) The EPP should be flexible enough to adjust to FSA's business needs, evolving technologies, commercial "best practices," and the impact of major milestone events. (2) The top-level objectives should be appropriate and in the best interest of FSA and the Department. (3) The EPP should be consistent with current FSA and ED acquisition policies. (4) The EPP should be effectively implemented. On a more fundamental level, the EPP helps to generate commitment by all stakeholders to support the EPP's execution, and it serves as a permanent record of decisions made regarding the acquisition strategy.

The EPP is an evolving plan; though based on present FSA information and business structure, it is flexible enough to be amended for evolving technologies, commercial "best practices," and major milestone events.

In FY 2003, FSA developed and implemented processes and procedures to improve FSA's contract management initiation, renewal, and extension practices. These processes and procedures are designed to ensure that FSA receives the highest value of service for the lowest possible cost. FSA will also develop an

appropriate staffing and staff development plan to meet acquisition needs and provide the training needed to develop FSA acquisition managers. Beginning in FY 2004 and continuing through FY 2008, FSA will implement its fully developed EPP to drive the procurement process and ensure efficient and effective business practices and operations.

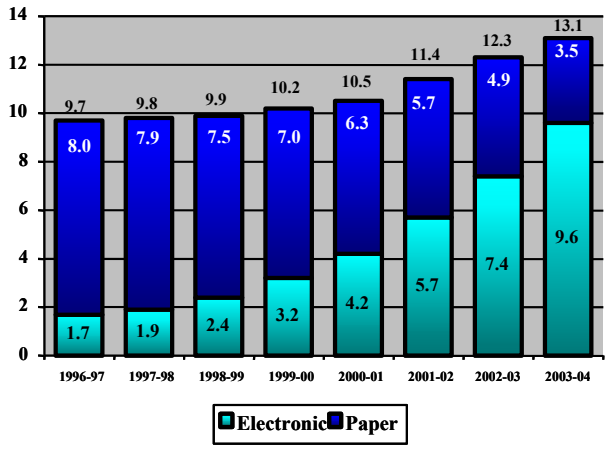
Integrated Partner Management System

The development and implementation of an Integrated Partner Management System (IPMS) is critical to FSA's strategic plan. IPMS will be the system of record for every institutional trading partner, regardless of the type of its interaction with FSA. This project will re-engineer/replace the current Postsecondary Education Participants System (PEPS) legacy system. It will incorporate a common routing ID (RID), partner security and system access enrollment information, and enable single sign-on for FSA systems and improved controls through a single point of enrollment and access. The implementation of this system will improve FSA's ability to reduce fraud and error in its student aid programs by enabling program delivery and monitoring staff to understand more about FSA's trading partners and their relationships with others that have a role in their Title IV-related activities.

Electronic Products and Services

Another critical FSA strategy for cost management is to maximize automation and increase the use of available electronic products. In FY 2003, FSA introduced EZ-Audit, which allows schools to submit their financial statements and compliance audit data online. FSA also introduced the E-CDR, which delivers cohort default rate notifications to schools electronically. FSA's financial partners are enjoying the benefits of a stabilized Lender Application Process (LAP) and Lender Reporting System (LRS) as a result of improvements implemented in FY 2003. Additionally, FSA has completed the Government Paperwork Elimination Act requirement, providing the public an electronic alternative to all paper transactions.

Student Eligibility: FAFSA



- 13.1 million submitted FAFSA forms projected for 2003 - 04
- 73% will be completed electronically
- Electronic process, including changes, can usually be completed in 72 hours
- The paper process, including changes, typically takes a minimum of 10 to 15 days
- 8.3 million changes are made to previously submitted applications by schools and applicants
- Use of the online change process has increased almost nine fold over the last four years (3% to 26%)
- Paper process reject rate is about 8%
- Electronic process reject rate is less than 1%
- Over 600,000 student loan applications are processed in a peak processing week

Additional reductions in program administration costs will result from initiatives such as the CSB and FEBI. Once fully implemented, these projects will improve the management of student aid delivery and loan servicing through the efficient use of timely and accurate information, common functions, and shared data. Program administration savings will be realized in the later years of the Plan when FSA provides electronic tools to institutions to allow them to verify applicant data. These tools will permit more sophisticated verification efforts focused on reducing errors—particularly in Pell grant awards—ultimately ensuring that aid is targeted to the most needy students. A further benefit will be increased public confidence in the integrity of all FSA's programs.

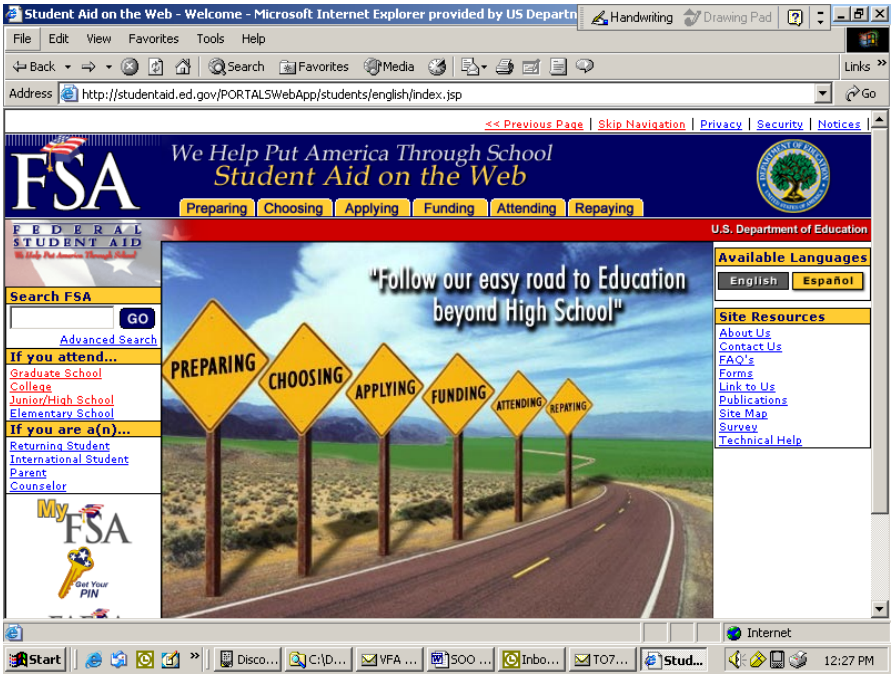
FSA is committed to customer service and satisfaction. In FY 2004, FSA will identify and baseline the following customer satisfaction indicators of major operations:

- timeliness of product and service delivery
- applicability of product functions and features to customer business needs
- timeliness of response to customer requests and problems
- courtesy of FSA employees in their interactions with customers

These baseline measures will provide feedback to FSA's improvement process for products and services. FSA intends to make an incremental gain in these indicators in each year of its Five-Year Plan. In FY 2003, FSA created a Customer Service Review Board (CSRB) for the enterprise-level review of information received through customer contact at FSA offices. The information received through the CSRB helps FSA to identify systemic problems in its products and services, business processes, and interactions with customers. Monthly, FSA's senior management team and the COO review CSRB data to determine process improvements and inform future decision-making. FSA will continue its leadership role in the President's Management Agenda E-Government initiative. Its FY 2003 initiatives included e-Authentication, the development of e-Commerce solutions for paper processes and the promotion of standards in the student aid industry, and the creation of an integrated security and privacy architecture. FSA will continue to participate as new projects are introduced under the President's E-Government initiative. FSA expects that this participation will include initiatives to expand electronic self-service usage where appropriate, to enhance current electronic processes to maximize effectiveness, and to evaluate additional electronic options.

Aid Awareness and Access

In FY 2003, FSA developed a comprehensive aid awareness and access strategy. This strategy establishes partnerships with organizations at the national, regional, and local levels that have the common goal of promoting awareness of and access to aid for postsecondary education. The partnerships communicate the importance of aid for postsecondary education in their public messages. This effort will be followed by the development of a conference outreach strategy for coordinating FSA participation and ensuring the distribution of current and accurate information about federal student aid programs and processes in FY 2004. FSA will then identify partnering opportunities at the national, regional, and local levels that permit the pooling of resources and the improvement of productivity. At its 2004 Spring Conference FSA conducted an aid awareness symposium to discuss best practices with industry leaders and develop appropriate action plans.



ONE OF MANY WEB SITES SUPPORTED BY FSA

Legislative and Regulatory Improvements

FSA is developing legislative recommendations for the federal student aid programs to improve and simplify the programs and minimize administration costs without reducing program integrity. These recommendations will inform the Department's policymaking process relative to the reauthorization of the Higher Education Act. In the Plan, FSA will continue to pursue various options that contribute to a reduction of the cost of administering the federal student aid programs.

FSA will make its recommendations based on the knowledge gained from its business operations and interactions with students, parents, schools, lenders, guaranty agencies, and other participants in the federal student aid programs. In each year of its strategic plan, FSA will recommend statutory, regulatory, or policy changes that simplify the application process for students and streamline the processes and operations for schools and delivery partners. FSA will provide products and services whose functions and features take full advantage of policy, statutory, and regulatory developments.

Workforce Development

FSA's continued success in its current business operations and its future development initiatives depends heavily on a knowledgeable and well-trained workforce. FSA is committed to the development of outstanding leadership. To that end, the COO assembled a senior leadership team from both the public and private sectors whose members possess over 300 years of combined industry, management, and IT experience. This leadership team will oversee several workforce development strategies in the coming years, including the preparation of a skills catalog, a succession plan, and targeted development and training programs.

FSA Skills/Competencies

Position	Years of Experience	Financial Management	Information Technology	Business Process Reengineering	Staffing and Organization Development	Customer Service	Financial Aid Delivery and Servicing	Legislative/Title IV Program Expertise	Acquisitions and Contracting	Vendor Management
COO	24	✓	✓	✓	✓	✓	✓	✓	✓	✓
GM ASEDS	30	✓	✓	✓	✓	✓	✓	✓	✓	✓
CFO/GM FP	30	✓		✓	✓	✓	✓		✓	✓
GM Borr. Svcs.	21	✓	✓	✓	✓	✓	✓	✓	✓	✓
CIO	28	✓	✓	✓	✓	✓	✓	✓	✓	✓
Director PLI	30		✓	✓	✓	✓	✓	✓	✓	✓
GM EPMS	27	✓	✓	✓	✓	✓	✓	✓	✓	✓
GM Students	20	✓	✓	✓	✓	✓	✓	✓	✓	✓
GM WSS	30			✓	✓	✓			✓	✓
Chief of Staff	29	✓		✓	✓	✓		✓	✓	✓
GM Comm.	30	✓	✓	✓	✓	✓	✓	✓	✓	✓
Ombudsman	30			✓	✓	✓	✓	✓	✓	✓

Skills Catalog

One of those workforce development strategies, the identification of skill development opportunities, is ongoing as FSA updates its employee skills catalog. This catalog compiles the critical business competencies and specific knowledge required to successfully perform each of the operational functions within FSA. The catalog is used to identify gaps in these critical competencies

and provides information on when and where additional employee training and development are required.

Succession Planning

FSA is also improving its succession planning capabilities by identifying areas within the organization where subject matter expertise needs strengthening due to the pending retirement of senior employees. FSA expects to develop a strong succession plan by leveraging the Department's internal hiring system and by creating mentoring opportunities for qualified employees. In addition, FSA intends to strengthen campus recruiting and use FSA's college intern program to identify candidates for junior level positions within the organization.

FSA will continue to leverage the Excepted Service (ES) level, as provided by the PBO legislation, to fill key positions within the organization. This greatly enhances FSA's ability to compete with the private sector for qualified candidates.

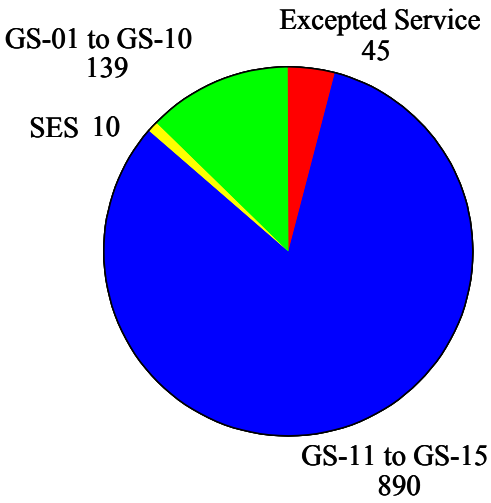
Employee Development and Training

Employee development and training is another priority for FSA's Human Capital Management plan. FSA University, the area dedicated to employee development initiatives, provides coaching workshops and training sessions to improve collaborative problem-solving and decision-making skills across the FSA employee base. FSA University also sponsors the FSA Learning Coupon, a program that encourages employees to take responsibility for their own career development by providing up to $500 worth of training in areas related to their field of work. FSA University also maintains a state-of-the-art 20-station computer lab and interactive learning center. This lab, as well as other locations at FSA headquarters and all FSA regional offices, is videoconference enabled, which greatly enhances employee participation and communication.

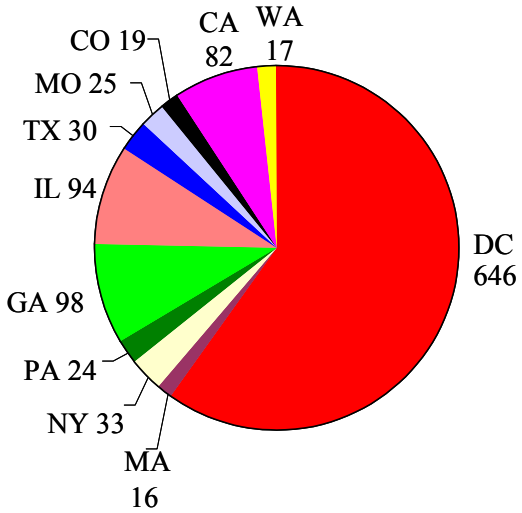
PBO Legislation

In FY 2003, FSA reviewed the human resource flexibilities outlined in the PBO authorizing legislation and are developing recommendations to clarify or expand the current provisions to amend the Higher Education Act. Once reauthorization of the Higher Education Act is complete, FSA will implement the recommendations, coordinating closely with similar initiatives at the Department.

Number of Employees



Number of Employees by Location



Accountability

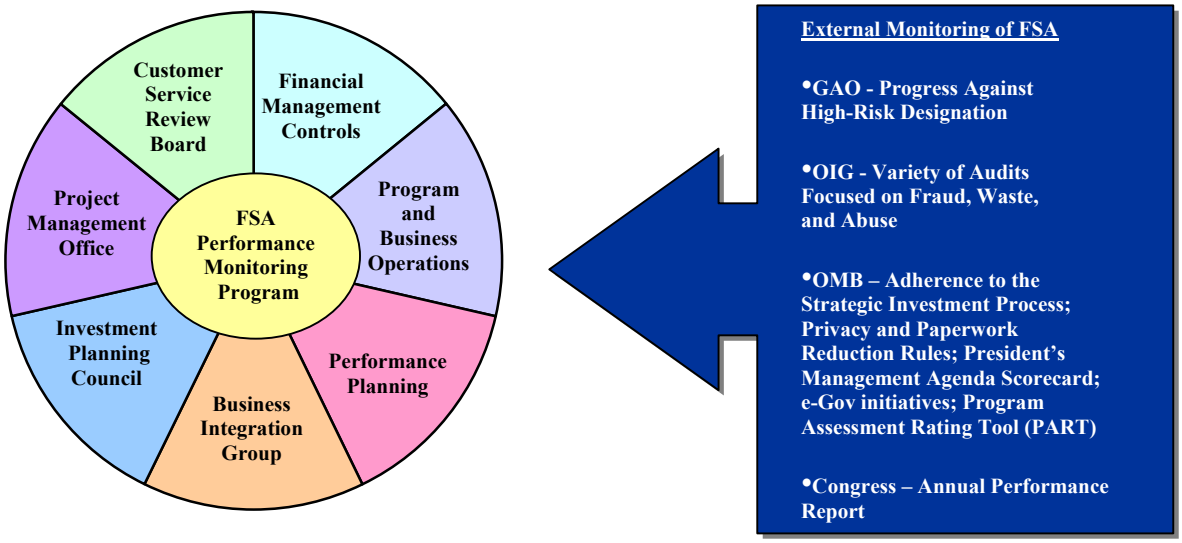
FSA will continue to develop a work environment that encourages high performance. As part of this effort, FSA is creating a culture of accountability by dealing with poor performers and unacceptable conduct in an efficient and effective manner. By aligning each employee's performance appraisal with FSA's Annual Performance Plan, FSA set a new standard of performance expectations for the entire organization. Now all FSA employees know how their position fits into the organization and what they have to do to meet their individual goals and objectives.

Human Capital Plan

In FY 2004, FSA has contracted with external subject matter experts to develop a robust, comprehensive, and achievable human capital plan in conjunction with the Department's Human Capital Plan. The plan will help FSA to identify, attract, develop, motivate, retain, and manage employees so that FSA can achieve its organizational objectives.

PERFORMANCE MANAGEMENT

FSA Performance Monitoring



The seven parts of FSA's performance monitoring program are:

Financial Management Controls

FSA has consistently reconciled its program accounts to supporting detail within 30 days of month-end. This effort includes research and resolution of reconciling items and supervisory and managerial review of reconciliation work. In addition, senior management at FSA perform quarterly financial statement fluctuation analyses and other account analyses. In FY 2003 FSA fully implemented all management and internal controls to address the problems that account for the designation of FSA's programs as high-risk by GAO.

Performance Planning

Currently, FSA develops an annual plan that is used to measure its progress in achieving its objectives. During the development of the FY 2003 annual plan, FSA defined the strategic drivers, strategic objectives, and supporting strategies

that were used to identify and prioritize the projects in its plan. The items in the plan were determined by their contribution to a clean audit and removal of FSA programs from the GAO High-Risk List; they were also identified according to their value and urgency. For the FY 2004 Annual Performance Plan, FSA included a set of metrics to measure performance and productivity. The development of each future annual plan will include the review—and revision if necessary—of FSA's drivers, objectives, and strategies. In addition, the annual plan will be developed in conjunction with the budget planning process.

In addition to FSA's Annual Performance Plan, FSA will address cost management by establishing a set of metrics to measure performance and productivity trends across the enterprise. These metrics will guide improvement initiatives designed to optimize the return on investment and reduce costs. In FY 2003, FSA developed the Executive Dashboard, which provides management a weekly review of operational metrics, budget, contracts productivity, and performance metrics at the aggregate and service delivery levels. This data will allow for an ongoing, comprehensive evaluation of performance, customer service, and business operations to inform process improvement and future business initiatives.

Program and Business Operations

FSA has developed various tools to monitor and report on organizational performance on weekly, bi-weekly, semi-annual, and annual basis. The first report is the FSA Executive Dashboard, which provides FSA management with a weekly look at various metrics at the aggregate and service delivery levels; the report is distributed FSA-wide on a weekly basis. A second report is based on the FSA Annual Performance Plan. This report provides the status and activity of action items and milestones included in the FSA Performance Plan for a two-week period. It is also shared across the organization so that every employee knows FSA's performance goals, the current status of all of FSA's performance action items, and what has been accomplished. FSA also produces a semi-annual report that graphically depicts FSA accomplishments and progress toward completion of the action items included in the Annual Performance Plan. Finally, FSA submits to Congress an Annual Report, which includes an evaluation of the extent to which the PBO met the goals and objectives contained in FSA's Annual Performance Plan.

Business Integration Group

The Business Integration Group (BIG) was established in FY 2003 to assist in setting the direction FSA takes in the integration of enterprise processes and systems. BIG's members, representing all segments of FSA, meet to review and evaluate data trends impacting FSA's core business delivery, to review FSA's progress toward integration, to set the scope for target business architecture, and to make recommendations regarding enterprise processes. When appropriate, BIG presents its findings to groups such as FSA's senior leadership and makes recommendations that support the enterprise vision. Appendix C illustrates the close and complex relationships that the business processes share with new system development activities and their associated contractual activities.

Investment Planning Council

In FY 2003, FSA implemented an Investment Planning Council (IPC) to ensure a rigorous review process for all FSA IT initiatives. The IPC was developed to ensure that FSA is in compliance with the Clinger-Cohen Act and that IT initiatives are in alignment with FSA's Performance Plan and the Department's Strategic Plan. The IPC consists of senior managers from each functional area within FSA's organization who meet weekly to discuss IT proposals and initiatives. Through the IPC, FSA manages IT initiatives from an enterprise perspective; encourages partnerships; eliminates duplicative and stovepipe projects; and balances benefits against the costs and risks of IT initiatives. Once an initiative is approved by the IPC, the members monitor its progress and take appropriate follow-up action.

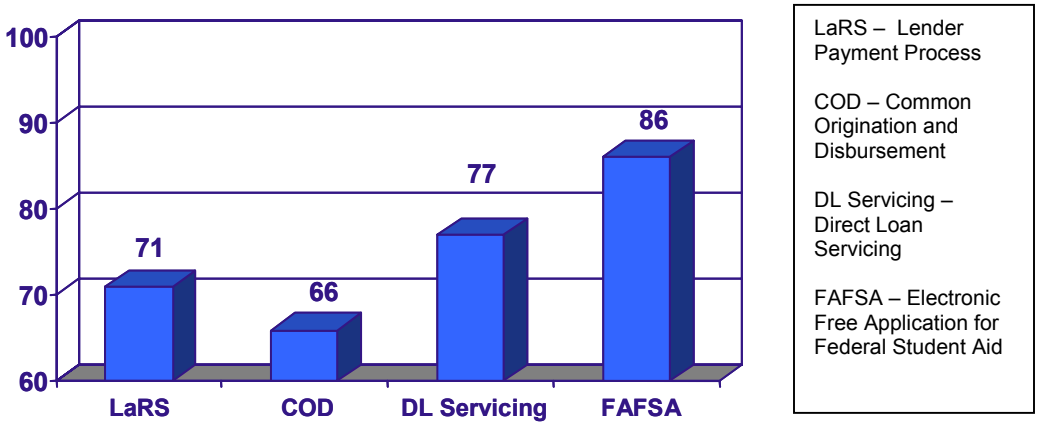
Project Management Office

The Project Management Office was established as a part of FSA's reorganization in FY 2003. This office is the central point of contact for all FSA projects. It integrates all project activities within FSA and links them to the strategic objectives, priorities, and available resources. It supports project managers by establishing FSA project management standards of practice, advising on systems integration strategy, sharing information across projects during the entire life-cycle of the projects, and providing relevant reports and data to managers and FSA senior leadership.

Customer Service Review Board

The FSA Customer Service Review Board (CSRB) was formed in FY 2003 to improve customer service through the review of information about FSA customers and the service they receive. Members of the CSRB are FSA employees who have had some level of interaction with customers. The CSRB analyzes service improvement data from customers and develops and reports customer service metrics. Currently, the CSRB is developing a complete repository of data about FSA service comprised of the opinions of FSA customers. The CSRB also serves as a forum for FSA staff to present and discuss service improvements that have been enacted or are under consideration for enactment (based on data analysis, industry best practices, and benchmarking).

FSA Satisfaction Scores 2003

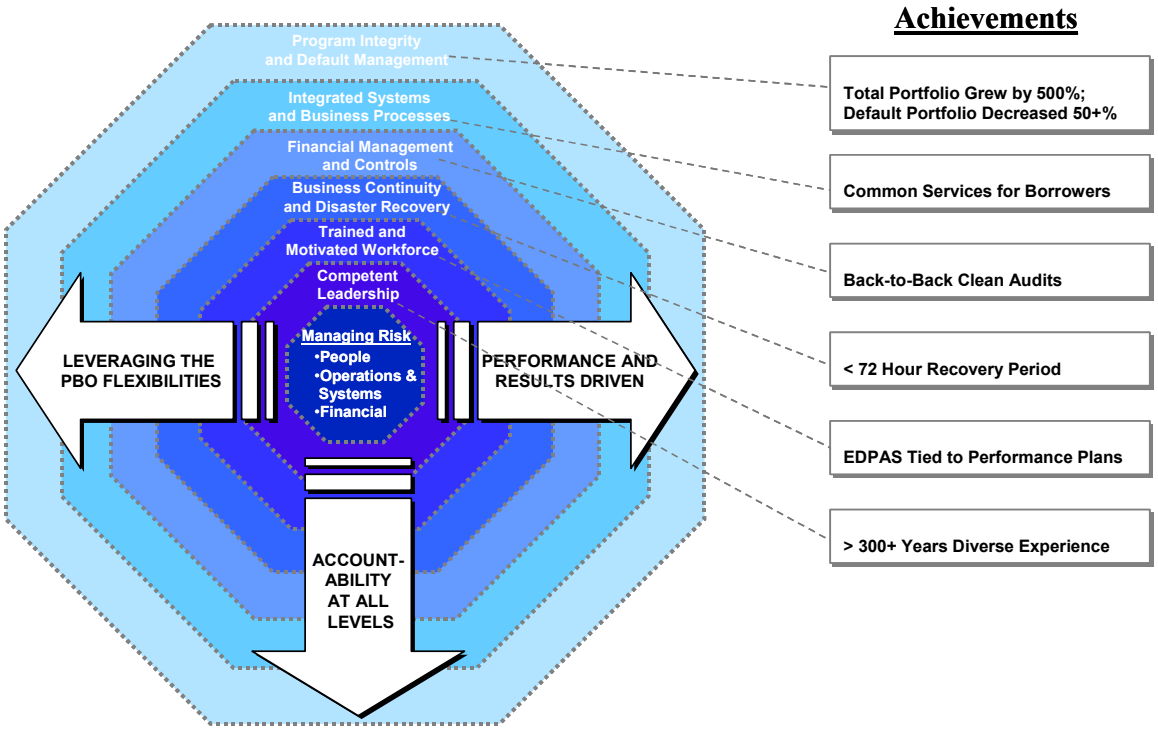


FEDERAL GOVERNMENT AVERAGE IS 70

SUMMARY

FSA is undertaking many important initiatives to fine-tune its aid delivery services to its diverse customer base. FSA has seen the student loan portfolio steadily grow while the ratio of the default portfolio to the non-default portfolio has decreased. Improved financial management and internal controls have resulted in back-to-back clean audits, and FSA's business continuity and disaster recovery period has been reduced to less than 72 hours.

The FSA Five-Year Strategic Plan is a roadmap for FY 2004-2008 that identifies long-range strategic objectives and short-term goals. The plan is a flexible document and will be updated annually, as events dictate. In working toward the goals outlined in the plan, FSA will address a number of key challenges, including legacy system migration, business process re-engineering, cost management, product and service innovation, customer satisfaction, and professional growth for employees.



To achieve its ambitious goals over the coming years, FSA will continue to meet the challenges inherent in managing its workforce, functional systems, and financial operations. FSA will continue to increase accountability at all levels by leveraging the managerial flexibilities provided by the PBO legislation. In this way, FSA will create a high performance, results-driven organization dedicated to delivering the right aid, to the right student, at the right time, and at the right cost.