
Administrative Capability

To be certified to participate in the SFA Programs, a school must demonstrate that it is administratively capable of providing the education it promises and of properly managing the SFA Programs. This chapter discusses the requirements a school must meet to demonstrate its administrative capability.

REQUIRED ELECTRONIC PROCESSES

To be considered administratively capable to participate in an SFA Program, a school must participate in all electronic processes that are required by the Department, if the processes are provided at no substantial charge to the school. To comply with this requirement, a school may use software provided by the Department or software developed by the school, or its vendor, in accordance with specifications provided by the Department. Alternatively, a school may meet this requirement by the use of a third party servicer (for more information on third-party servicers, see Chapter 2).

The table on page 2-44 lists the required electronic processes and the deadline dates for implementation. A school that fails to participate in any of these processes by the required deadline date is considered by the Department to lack the administrative capability to administer the SFA Programs properly.

The Higher Education Amendments of 1998, Public law 105-244 (the Amendments of 1998) require the Department to notify, as practicable, schools, guaranty agencies, lenders, interested software providers, and, upon request, other interested parties, of software and hardware requirements by December 1 prior to the beginning of an award year.

The Technical Specifications table (page 2-45) provides schools with information regarding hardware and software requirements that enables them to participate in these designated electronic processes. The left column of the Technical Specifications Table provides information on the current minimum configuration needed in order for a school to maintain a basic level of electronic efficiency. The right column provides information on the configuration needed to support the electronic requirements that began in January 1999.

Administrative Capability Cites

Sec. 498(d), 34 CFR 668.16

Required Electronic Processes Cite

34 CFR 668.16 (o)

Notification of Hardware and Software Cite

Sec. 483(a)(5)

Required Electronic Processes and Deadline Dates

<i>Deadline Date</i>	<i>Designated Electronic Processes</i>
July 1, 1998	<ul style="list-style-type: none"> ● Access to the "Info for Financial Aid Professionals" website or the Student Financial Assistance Bulletin Board System (SFA BBS) ● Submission of the Application for Approval to Participate in Federal Student Aid Programs (recertification, reinstatement, and changes) through the Internet ● Submission of the Fiscal Operations Report and Application to Participate (FISAP) to the Title IV Wide Area Network (TIV WAN). Diskettes will be eliminated.
January 1, 1999	<ul style="list-style-type: none"> ● Windows 95, Windows NT or Higher
July 1, 1999	<ul style="list-style-type: none"> ● For the 1999-2000 Award year and Beyond: <ul style="list-style-type: none"> ✓ Report Federal Pell Grant Payments Electronically or on Magnetic Tape or Cartridge to the Title IV Wide Area Network (TIV WAN). Diskettes will be eliminated. ● Submit Student Status Confirmation Report (SSCR) data Electronically or on Magnetic Tape or Cartridge to the National Student Loan Data System (NSLDS). Diskettes will be eliminated. ● Submit Federal Perkins Loan Data Electronically or on Magnetic Tape or Cartridge to the National Student Loan Data System (NSLDS). Diskettes will be eliminated.

¹The application processing cycle lasts 18 months. For the 1998-99 award year, application processing begins in January 1998 and applications for that year will be accepted until June 30, 1999.

When reviewing these specifications, schools should be aware that capacity requirements (processor speed, RAM, hard drive storage, etc.) are greatly affected by specific factors at each school, including which EDExpress functions the school uses, number of records processed, and institutional database interfaces.

As electronic processes are announced for implementation, the Department will provide software where needed. A school is not restricted to using software provided by the Department to participate in an electronic process required by the Department. The school may also use software developed by the school or its vendor in accordance with specifications provided by the Department.

Access to the “Information for Financial Aid Professionals” Website

Schools no longer automatically receive Departmental information through the mail, including most “Dear Colleague” letters, announcements, Federal Registers, etc. Instead, schools must have the capability to retrieve such documents from the Department’s Information for Financial Aid Professionals website. The specific Internet address to the website is:

<http://ifap.ed.gov/>

A school that uses a third-party servicer to meet this requirement needs to ensure that it is kept informed by its third-party servicer of all information posted by the Department on the IFAP website.

A school may enroll in the Department’s “fax broadcast” service to receive automatically by facsimile high-priority messages from the Department. This service will be used for messages that need immediate attention. These messages will be posted on the IFAP website also. To enroll, a school may call 1-800-4FEDAID.

Technical Specifications

	<i>Current Minumum Configuration (Depending Upon Volume and Usage)</i>	<i>Minimum Configuration Required by January 1999</i>
<i>Equipment</i>	IBM or fully IBM-compatible PC 66 MHZ Processor 486DX2 16 MB RAM 300 MB Hard Disk Space 14,400 bps or higher baud Hayes or caparable Modem 3.5"/1.44 MB Diskette Drive SVGA Monitor Standard Keyboard Printer capable of printing on standard paper (8 1/2" x 11") 4x CD-ROM Drive with sound board ¹	IBM or fully IBM-compatible PC 200 MHZ Pentium Processor or comparable 64 MB RAM 4.0 GB SCSI Hard Drive 56K Analog Modem 3.5"/1.44 MB Diskette Drive SVGA Monitor Windows 95 Keyboard Laser printer capable of printing on standard paper (8 1/2" x 11") 12x CD-ROM Drive with sound board ¹
<i>Software</i>	MS-DOS version 6.2 or higher; Windows 3.1, 3.11 or 95 Internet Service Provider (ISP) ² Netscape Navigator 3.0 or 3.01 (domestic) or web browser ³	32 bit operating system (Windows 95 or Windows NT 4.x) Internet Service Provider (ISP) ² Netscape Navigator 3.0 or 3.01 (domestic) or web browser ³
<i>Phone Line</i>	Dedicated phone line	Dedicated phone line
<i>Diskettes</i>	3.5" high density double-sided diskettes	3.5" high density double-sided diskettes

¹Required if school wants to use the EDExpress Tutorial and the AWARE software.

²Will be necessary to access the "Info for Financial Aid Professionals" website or the Student Financial Assistance Bulletin Board System and for submission of the Application for Approval to Participate in Federal Student Aid Programs (recertification, reinstatement and changes).

³Currently, must use Netcape Navigator 3.0 or 3.01 (domestic) in order to utilize FAFSA on the Web. The Department is currently testing other web browsers that will be made available to the public in the near future.

In order for a school to meet this requirement, as well as have the capability to submit recertification documents over the Internet, as discussed below, it must have Internet access through an Internet Service Provider, and have a World Wide Web browser, i.e., Netscape Navigator or Microsoft Internet Explorer. To download a copy of the Netscape Navigator software, the web address is <http://home.netscape.com>. The web address to download the Microsoft Internet Explorer software is

<http://www.microsoft.com/windows/ie/download/>

Schools must have the capability to print Federal Registers or other complex documents provided in Portable Document Format (PDF). The software for viewing and printing PDF files can be downloaded onto a school's PC hard drive for free from the Adobe Systems website at <http://www.adobe.com/prodindex/acrobat/readstep.html>.

Of course, a school may use other software to print these documents.

Submission of the Application to Participate (Recertification) through the Internet:

As of July 1, 1998, applications for recertification, reinstatement, or changes in school ownership or structure must be submitted to the Department electronically through the Internet. The Department no longer provides diskettes to schools for submission of the "Application for Approval to Participate in Federal Student Financial Aid Programs." A signature page is required and must be mailed separately along with all required supporting documentation. Schools need to have access to the World Wide Web using a forms capable web browser such as Netscape Navigator or Microsoft Internet Explorer. The web address to access the electronic application form is:

<http://www.eligcert.ed.gov/>

Schools must send electronic updates to their application data through the Internet. When a school accesses its application, it will be populated with data from the last recertification. The school changes the necessary data items, and transmits it for Departmental review and acceptance. The Application allows for changes in telephone numbers, fax numbers, names on the application, locations, vocational programs, etc.

For more information on applying for participation in the SFA Programs or providing updated information to application data, see Chapter 10.

Submission of the FISAP through the TIV WAN:

Beginning with the Fiscal Operations Report for 1997-98 and Application to Participate for 1999-2000 (FISAP) due October 1, 1998, schools are required to submit FISAP data through the TIV WAN. In the past, a FISAP could be submitted to the Department either through an electronic submission or by sending computer diskettes or magnetic tapes. The TIV WAN requirement eliminated the diskette and magnetic tape options and required electronic submission via the TIV WAN.

January 1, 1999 Requirements***Windows 95, Windows NT or Higher:***

As a technical requirement, schools must be prepared to process Department data, starting with the 1999-2000 award year, using either Windows 95, Windows NT, or a newer version of the Windows operating system. The Disk Operating System (DOS) and earlier versions of Windows are no longer supported.

July 1, 1999 Requirements***Submission of Federal Pell Grant Payment Data:***

As of July 1, 1999, schools will use a new Recipient Financial Management System (RFMS) that replaces the existing Pell Grant Recipient Financial Management System (PGRFMS) to report and request Federal Pell Grant student payment information.

For more information, see the Announcement Letter published July 1998 (ANN-98-8) and Action Letter #2, published in September 1998 (P-98-4).

Submission of SSCR Data and Federal Perkins Loan Data to the NSLDS:

Schools are required to report Student Status Confirmation Report (SSCR) data electronically or by magnetic tape. As of July 1, 1999 the Department no longer accepts diskette submissions.

Submission of Federal Perkins Loan Data to the NSLDS:

Beginning July 1, 1999, schools will be required to report Federal Perkins Loan Data electronically or by magnetic tape. The Department will no longer accept diskette submissions of Federal Perkins Loan data.

COORDINATION OF AID

Another standard of administrative capability requires that an eligible school designate a capable individual to administer the SFA Programs and to coordinate aid from these programs with the school's other federal and nonfederal student aid programs. The school's administration must be coordinated in such a way that all the information it receives concerning a student's SFA eligibility—from any school office—is communicated to the financial aid administrator. To properly package and most effectively use the various types of student assistance (federal, school, state, private, etc.), a financial aid

Capable individual

An individual is "capable" if he or she is certified by the state (in which the school is located), if state certification is required. Other factors include the individual's successful completion of SFA Program training provided or approved by the Department, and previous experience and documented success in SFA Program administration.

administrator must be aware of all sources of aid at the school and must be able to coordinate with all financial aid programs a school offers to ensure that a student's aid does not exceed his or her need.

CONSISTENCY OF STUDENT INFORMATION

The school must have a system of identifying and resolving discrepancies in the SFA-related information received by various school offices. Such a system would include a review of all financial aid and need analysis documents, federal and state income tax forms, and documents relating to admissions, citizenship, and previous educational experience. For instance, if a student receives veterans benefits through one school office, that office must notify the aid administrator of these benefits to ensure that the amounts are correctly reported on the student's aid application and are counted as a resource for the campus-based programs and estimated financial assistance for the Direct Loan and FFEL programs. As another example, the school's admissions or registrar's office must provide the financial aid office with any information that it has affecting a student's eligibility—the student's enrollment in an ineligible program, for instance, or past educational experience.

OIG REFERRALS

If the school finds that a student may have engaged in fraud or other criminal misconduct in applying for SFA Program funds, it must refer this information to the Department's Office of Inspector General (OIG), that will in turn notify other officials as appropriate. (Please note that this requirement does not preclude the school from notifying other law enforcement agencies as necessary.) Some examples of fraudulent information include the use of false identities, forgery of signatures or certifications, and false claims of income, citizenship, or independent student status.

COUNSELING

The school must provide adequate financial aid counseling to all enrolled and prospective students and their families. Counseling must include, at a minimum, information about the source and amount of each type of aid offered, the method by which aid is determined and disbursed or applied to a student's account, and the rights and responsibilities of the student associated with the student's enrollment and receipt of financial aid. This information should include a description of the school's refund policy, the requirements for the treatment of SFA Program funds when a student withdraws, satisfactory progress standards, and any other conditions or factors that may affect the student's aid package. The school must also provide entrance and exit counseling for student borrowers in the Perkins, FFEL, and Direct Loan programs. For a complete discussion of loan counseling requirements, see the *SFA Handbook: Campus-Based Program Reference*, the *SFA Handbook: Direct Loan and FFEL Programs Reference*, and Direct Loan entrance and exit counseling guides.

ADEQUATE STAFFING

To manage a school's aid programs effectively, the aid administrator must be supported by an adequate number of professional, paraprofessional, and clerical personnel. An "adequate" staff depends on the number of students aided, the number and types of programs in which the school participates, the number of applicants evaluated and processed, the amount of funds administered, and the type of financial aid delivery system the school uses. What may be adequate at one school may be completely insufficient at another. The Department will determine, on a case-by-case basis, whether a school has an adequate number of qualified persons, based on program reviews, audits, and information provided on the school's application for approval to participate in the SFA Programs.

In addition to having a well-organized financial aid office staffed by qualified personnel, a school must ensure that its administrative procedures for the SFA Programs include an adequate system of internal checks and balances. This system, at a minimum, must separate the functions of authorizing payment and disbursing or delivering funds so that no one person or office exercises both functions for any student receiving SFA funds. Small schools are not exempt from this requirement even though they may have limited staff. Individuals working in either authorization or disbursement may perform other functions as well, but not both authorization and disbursement. These two functions must be performed by individuals who are not members of the same family and who do not together exercise substantial control over the school. If a school performs any aspect of these functions via computer, no one person may have the ability to change data that affect both authorization and disbursement.

SATISFACTORY PROGRESS AND FINANCIAL AID HISTORY

Two institutional requirements are directly related to student eligibility: satisfactory academic progress and financial aid history. An eligible school must have a policy to measure the academic progress of its students, according to the elements of a reasonable standard of satisfactory progress as provided in the regulations. Beginning July 1, 2000, schools may obtain student eligibility information for a mid-year transfer student directly from NSLDS instead of obtaining a paper FAT from the prior school. However, until additional regulatory and operational changes are made, the school must access the NSLDS **no earlier than 30 days prior** to the beginning of the first payment period for which the school expects to pay the student Title IV aid. (See Dear Colleague Letter GEN 00-12 for additional information.)

Family

A member of an individual's family is a parent, sibling, spouse, child, spouse's parent or sibling, or sibling's or child's spouse.

Substantial Control

Substantial control is direct or indirect control over at least 25% ownership interest (either alone or with family members); representation (under voting trust, power of attorney, or proxy) of a person who individually or with a group has at least 25% ownership interest; status as CEO or other executive officer or member of a board of directors of an entity holding at least 25% ownership interest.



DEFAULT RATES

A school is not administratively capable when

- the cohort default rate for Perkins Loans made to students for attendance at the school exceeds 15% (see *Volume 5 — Perkins* for details), or
- the cohort default rate for Stafford/SLS loans or for Direct Loans made to students for attendance at the school equals or exceeds 25% for one or more of the three most recent fiscal years (see *Volume 8 — FFEL/DL* for details).

If a school is not administratively capable solely because of a high default rate, the Department will provisionally certify the school.

In addition to affecting a school's administrative capability and limiting the school's participation in the SFA Programs, a high default rate may make a school ineligible to participate in the FFEL, Direct Loan, Federal Pell Grant or Perkins program or cause the Department to limit, suspend, or terminate a school's participation in the SFA Programs. For detailed information on default requirements refer to the Cohort Default Rate Guide that the Department provides to schools.

Default Management Plan

In the past, a school with a Stafford/SLS default rate of specified percentages was required to implement some or all of the default reduction measures listed in 34 CFR Part 668, Appendix D of the General Provision regulations. Final regulations published December 1, 1995 that revised several aspects of the Department's default prevention and reduction measures removed these requirements beginning with the 1996-97 award year. However, new schools are still required to develop a default management plan prior to certification. Also, a school that undergoes a change in ownership that results in a change in control, or a school that changes its status as a main campus, branch campus, or additional location must also develop a default management plan.

The Higher Education Amendments of 1998, Public Law 105-244 (the Amendments of 1998) provide that a school is exempt from submitting a default management plan if (a) the parent institution and the subordinate institution both have a cohort default rate of 10 percent or less and (b) the new owner of the parent or subordinate institution does not own, and has not owned, any other school with a cohort default rate over 10 percent.

The Amendments of 1998 also added a provision that makes a school ineligible to participate in the Federal Pell Grant Program if it loses eligibility to participate in the FFEL or the Direct Loan programs due to high default rates after the publication of final default rates for fiscal year 1996, or a subsequent fiscal year. A school may appeal its default rate before its participation in Pell is eliminated.

Exemption from Default Management Plan Cite

Sec. 487(a)(14)(C)

Default Rates and Pell Participation Cite

Sec. 401(j)

This provision applies to schools participating in the FFEL or Direct Loan programs on or after October 7, 1998.

The Amendments also make several changes to default rate requirements for the Perkins Loan Program. See *Volume 5 — Perkins* for more information.

WITHDRAWAL RATES

New schools (schools that seek to participate in an SFA Program for the first time) must have an undergraduate withdrawal rate for regular students of no more than 33% for an award year in order to be considered administratively capable.

When calculating the withdrawal rate, all regular, enrolled students must be included. The definition of “enrolled” does not require either payment of tuition or class attendance; therefore, the withdrawal rate calculation must include enrolled students who have not yet paid tuition or who did not actually begin attending classes. A student is considered to have withdrawn if he or she officially withdraws, unofficially drops out, or is expelled from the school or receives a refund of 100% of his or her tuition and fees (less any permitted administrative fee). A student who withdraws from one or more courses or programs, but does not withdraw entirely from the school, does not meet the definition of “withdrawn.” Instead, this action is considered a change in enrollment status, (i.e., student reduced his number of credit hours from 12 to 6 credits. Note that the 33% withdrawal rate applies to all enrolled, regular students—not just to SFA recipients.

Enrolled

A student enrolls when he or she completes the registration requirements (except payment of tuition and fees) at the school. Correspondence students are enrolled if they have been admitted to the program and have submitted one lesson (that was completed without the assistance of a school representative).

DEBARMENT AND SUSPENSION CERTIFICATION

Debarment of School or its Principals

Debarment and suspension requirements are also a part of the administrative capability standards. Debarment and suspension actions are imposed against individuals who the government determines constitute a current risk to federal agencies based on the individual’s actions. The Department gives effect to debarment and suspension actions by other agencies that have been imposed under procedures that provide due process protections equivalent to those afforded by the Department.

Before a school may receive Pell Grant or campus-based funding, a school must certify that neither the school nor its employees have been debarred or suspended by a federal agency. This certification is on the PPA and, for schools participating in the campus-based programs, is included on ED Form 80-0013 that is a part of the FISAP package mailed to schools each summer.

If the school or its principals have been suspended, debarred, or proposed for debarment by one federal agency, the school is no longer eligible to participate in any SFA Program. The principals of the school include the owners, the directors, officers, partners, employees, or any

other person with primary management or supervisory responsibilities. A principal may also be someone who is not employed by the school, but who has critical influence on or substantive influence over a covered transaction (such as the receipt of Pell Grant or campus-based funds).

If a school discovers that a person employed in a primary management or supervisory capacity has been suspended or debarred by a federal agency, the school must remove that person from such a position or risk losing its SFA eligibility.

Similar debarment and suspension procedures apply to debarments and suspensions of lenders, third party servicers or loan servicers under the FFEL Programs.

Checking Prospective Employees or Contractors

To protect itself, a school might ask prospective employees and contractors about previous debarment or suspension, either in person or on a written application. A school may also call the Department to find out if an individual or organization is on the Nonprocurement List. The debarment or suspension of a person who is not a principal of the school and who does not work in the financial aid office will not affect the school's SFA eligibility, so long as that person is not involved in any covered transactions. The regulations list the particular transactions from which a debarred or suspended entity is excluded under the SFA Programs.

Lower-tier Covered Transactions

A school must not enter into lower-tier covered transactions with a debarred or suspended individual or organization. A lower-tier covered transaction is any transaction between a participant in a covered transaction (such as the school) and another individual or organization, if that transaction stems from a covered transaction. Examples of common lower-tier covered transactions are a school's contracts with a financial aid consultant service or with a loan collection or billing agency. A school must obtain a certification from any lower-tier organization if the amount of the lower-tier transaction is \$25,000 or more. (The required certification clause is given on page 25 of "Dear Colleague" letter GEN-89-21.) The lower-tier organization must inform the school in writing if the organization or its principals are debarred or suspended. Therefore, the certification does not need to be renewed from year to year.