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ABSTRACT

An ongoing corrective action framework for the Office of Student Financial Assistance (OSFA) is presented. Attention is directed to the formal management structure in OSFA and current initiatives to improve management, and the placement of the corrective action process in the organizational hierarchy. Four formal mechanisms needed to implement the overall quality control process and the corrective action framework are to: assign responsibility, develop procedures for initiating corrective actions, develop procedures for implementing corrective actions, and develop a reporting system interface for the Quality Control Management Information System. Steps in an annual quality improvement analysis plan are to: determine the quality policy, determine or estimate quality costs, identify dominant quality problems and the corrective action systems, and determine compliance to a quality plan by operating units. Appended is a matrix that shows which QC subsystems could be used to monitor each step in the Pell Grant, campus-based, and Guaranteed Student Loan delivery systems. (SW)

CORRECTIVE ACTION FRAMEWORK FOR THE OFFICE OF STUDENT FINANCIAL ASSISTANCE

Submitted to

OFFICE OF STUDENT FINANCIAL ASSISTANCE
DEPARTMENT OF EDUCATION

CONTRACT NO. 300-80-0952

by

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PREFACE

The Office of Student Financial Assistance (OSFA) of the Department of Education has contracted with Advanced Technology, Inc., of McLean, Virginia, and its subcontractor, Westat, Inc., of Rockville, Maryland, to conduct a three-year quality control project (Contract No.: 300-80-0952). The focus of the project is the Pell Grant Program, the largest of the student grant programs administered by OSFA. The objective of Stage Two (Part One) of the project is to design a quality control system to measure and analyze program performance. The reports completed to date under Stage Two (Part One) include:

Quality Control (QC) System Development for the Pell Grant Program: A Conceptual Framework	March, 1982
Action Plan for Quality Control System Design: A Working Paper	May, 1982
A Comparison of Title IV Student Assistance Delivery Systems	June, 1982
Preliminary Quality Control System Design for the Pell Grant Program	June, 1982
A Framework for a Quality Control System for Vendor/Processor Contracts	September, 1982
Technical Specifications for Conducting An Annual Assessment of Overall Payment Error in the Pell Grant Program	September, 1982
Technical Specifications for QC System Enhancement to the Manual GSL Interest Billing Project	October, 1982
A Study of Quality Control Enhancement for the Goals and Objectives System of the Office of Student Financial Aid	October, 1982
Corrective Action Framework for the Office of Student Financial Assistance	December, 1982

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1.0 INTRODUCTION

The Office of Student Financial Assistance (OSFA) has made a major commitment to improving the quality of the student aid delivery system and its internal management system. The Pell Quality Grant Control Study, of which this report is a part, as well as the performance monitoring system and the goals and objectives system, exemplify this commitment. During the next year, it will be important to formalize this commitment through implementation of an on-going quality improvement program. This paper presents an on-going corrective action framework for OSFA that could focus this commitment into a formal methodology for quality improvement in the management and delivery system of OSFA. Corrective action should be an integral part of OSFA's quality program.

There are two major approaches to corrective action for quality control in student aid programs. The first consists of mechanical actions to make marginal changes in the current delivery system. This might, for example, include changes in the procedures for application processing or fund disbursement. Mechanical changes resulting in corrective action can sometimes be made within one Branch of OSFA, especially if it relates to the policy activities conducted by that Branch. For example, recent recommendations for corrective actions in FISAP processing involved both the Campus-based Branch of the Division of Program Operations (DPO), and the Campus-based Branch of the Division of Policy and Program Development (DPPD). The second type of corrective action consists of major structural changes in the delivery of student aid or organization of OSFA. Currently, the delivery system assessment task of the Pell Grant Quality Control Study represents a major effort commenced by OSFA to analyze major options for structural change.

In addition to these two distinct approaches, there are also two distinct targets for corrective actions, internal and external to OSFA. Internal corrective actions relate primarily to improvements in the OSFA delivery system for student aid.

External corrective actions relate to changes in the actual program, and the interface between OSFA and the other participants in the delivery system, particularly students, institutions, States and lenders. While internal changes may require some external interactions, possibly through dear colleague letters, the emphasis is usually on change in the internal delivery system. This typology of corrective actions utilizing marginal and major structural changes and internal and external foci is illustrated in Figure 1.

The corrective action framework proposed here would lead to an on-going system which focuses primarily on mechanical actions that can be made internal to OSFA. The internal focus is emphasized because the primary purpose of the framework is to improve the quality of the current delivery system, not to change the programs or redesign the delivery system. Currently, organizational subunits in OSFA have responsibility for initiating corrective actions. While many changes have been made in the past year, progress is uneven, and often lacking support. The proposed framework is designed to be a process that can systematically and uniformly encourage corrective actions in the financial assistance program.

The remainder of this paper focuses on the key elements of the corrective action framework. Section 2 presents a general framework for integrating corrective action into the OSFA management system. Section 3 discusses formal organizational mechanisms necessary to operationalize the corrective action framework. Section 4 details an action plan for implementing corrective action into OSFA. Section 5 summarizes the report's principal recommendations.

APPROACHES TO CORRECTIVE ACTIONS

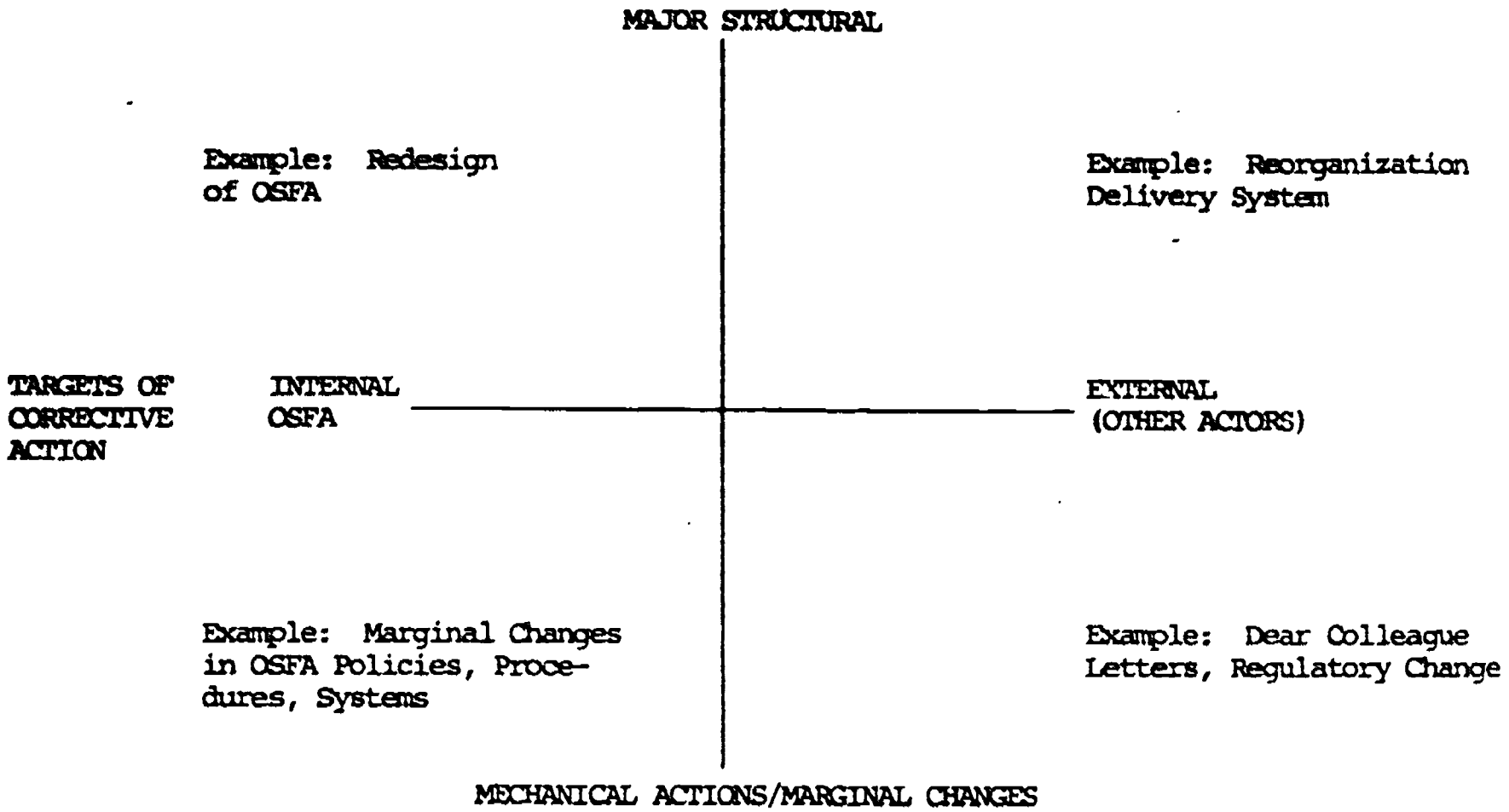

FIGURE 1

TYPOLOGY OF CORRECTIVE ACTIONS

2.0 CORRECTIVE ACTION IN OSFA

2.1 Relationship Between Corrective Action and Quality Control

OSFA has made a concerted effort over the past two years to identify and implement quality control and organize corrective action analysis. The Pell Grant Quality Control Project has proposed a wide range of corrective actions.* These proposals have not adequately involved OSFA personnel, nor has a formal structure for corrective action been proposed previously as a result of the current project. The purpose of this paper is to consider the basic elements of a generalized corrective action framework for OSFA.

The corrective action framework is an integral part of the overall process to increase program quality currently being designed by Advanced Technology for OSFA. The major emphasis in the design effort to-date has been on the technical measurement component which attempts to identify error prone points in the financial aid program. Having identified these points, the objective of the corrective action component is to introduce program reforms which can increase overall program quality. The steps in the technical measurement and corrective action components, as well as the interaction between these components, is illustrated in Figure 2. Quality control has been defined as a process of identifying, correcting and preventing error or a tendency toward error in a system. Therefore, as shown in Figure 2, a formal on-going quality control effort must combine both a technical (or measurement) component and an analytic (or corrective action) component.

The technical component of the quality control process is already well into the design stage. Figure 2 shows that the technical component must include a capacity to:

- Define samples
- Define measures

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*Advanced Technology, Quality in the Basic Grant Delivery System, Volume II Corrective Actions, Reston, VA, January 1982.

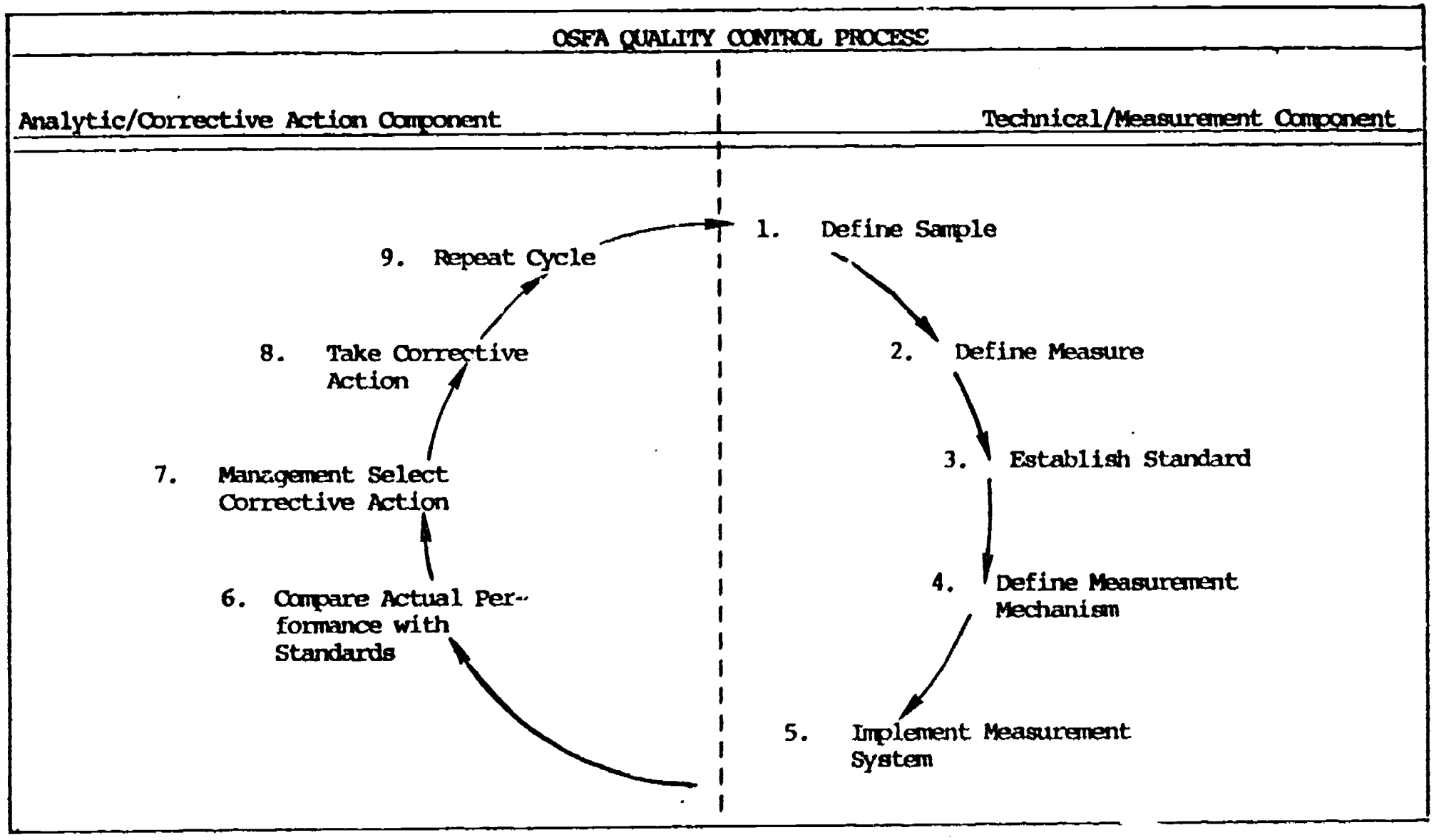

FIGURE 2

STEPS IN THE DEVELOPMENT OF AN OFSA QUALITY CONTROL PROGRAM

- Establish standards
- Develop measurement mechanisms
- Implement measurement mechanisms

Preliminary analysis of data collected on the technical component of the quality control process has identified eight targets of opportunity for increasing program quality and decreasing error. As a result, work has begun on:

- Evaluating the vendor/processor role in the Pell program
- Evaluating the student/disbursement process in the Pell program
- Evaluating the OSFA Goals and Objectives System
- Developing an institutional monitoring system that interfaces with the review function of the Division of Certification and Program Review
- Evaluating the FISAP disbursement function in Campus-based programs
- Evaluating the GSL interest billing process
- Developing an external assessment system for on-going measurement of error in the Pell Grant Program
- Developing a Quality Control Management Information System (QCMIS) for monitoring critical functions in the student aid delivery system

Research on these quality control evaluation and development tasks has identified possible mechanisms for measuring error in major functional areas for each of the three major aid programs: Pell, GSL, and Campus-based. Technically, the original goal of these tasks was to put mechanisms into place for monitoring most functions in the delivery of the major programs (see the Appendix). Operationally, work on these tasks has been limited to providing technical assistance to host Divisions and Branches in OSFA. Nevertheless, this effort has established framework for developing the technical component of the overall quality control process.

The analytic or corrective action component of the overall quality control procedure is essential to close the loop and repeat the quality improvement cycle on an on-going basis. The critical elements of the corrective action component, as shown in Figure 2, are:

- Comparison of actual performance with standards
- Management selection of corrective action options
- Implementation of corrective actions
- Repetition of the cycle

This paper proposes a formal corrective action plan for OSFA. Some of the assumptions that were considered in the development of this framework were:

- The overall quality control process, especially the corrective action components, should be integrated into the overall management system in OSFA.
- The corrective action framework must interface with other management systems and procedures in OSFA, including the Performance Monitoring System (PMS).
- It is critical that the corrective action framework provide OSFA personnel with opportunities to initiate corrective actions and receive recognition for corrective actions identification, increased productivity, and error reduction.
- A management commitment to quality in OSFA is essential to the implementation of the overall quality control process.
- The implementation of the analytic or corrective action component should be an integral part of the ongoing quality control process.

2.2 The Role of the Corrective Action Component

When proposing the corrective action component as a formal organizational mechanism for improving overall program quality, it is necessary to consider the organizational environment in which it will be implemented. In OSFA, features of the current system should be recognized in the overall design. These include:

- The formal management structure in OSFA and current initiatives to improve management.
- The placement of the corrective action process in the organizational hierarchy.

Each of these features is discussed in turn.

2.2.1 OSFA Management Structure

OSFA is organized into functional divisions, most with the responsibility for different aspects of the delivery of all three assistance programs (Pell, GSL, and Campus-based) Divisions are further subdivided into Branches. In some Divisions, such as the Division of Program Operations (DPO) and the Division of Policy and Program Development (DPPD), there are separate Branches for each major program. In others, Branches are divided by function. For example, the Division of Certification and Program Review (DCPR) has five Branches, each with responsibility for different functions. In the larger Divisions, there are Sections and Units with further refined sets of responsibilities.

Within this hierarchical structure, OSFA is in the process of implementing a couple of significant management enhancements. One of the major enhancements currently being implemented is the Goals and Objectives System. This system identifies goals, objectives, activities, tasks, subtasks, and steps for the delivery of each major student aid program. This system has the potential for strengthening the management of individual programs, as a complement to the functional management system that is currently in operation. It identifies Units and individuals responsible for completing individual steps. Currently, OSFA is exploring a networking approach to the Goals and Objectives System, which will improve its program management capability.

Another significant management enhancement being implemented in OSFA is the Performance Monitoring System (PMS). PMS will provide Branches and Sections in OSFA with a formal mechanism for:

- Identifying performance measures for individuals, Units, Sections, and Branches.
- Reporting on routine performance of work activities.
- Establishing goals for improving performance within Units, Sections and Branches.

- Monitoring performance of individuals, Units, Sections, and Branches.
- Evaluating performance of individual employees based on established criteria.
- Recognizing and rewarding exceptional performance.

This system involves employees in establishing criteria and setting performance goals. It is being implemented in Branches where the work activities are of an on-going repetitive nature, such as forms preparation or review.

Both systems will provide OSFA with an improved management capability. However, in spite of these innovations, the management structure in OSFA remains a hierarchical structure with a top down information flow about policy and procedures, and a bottom up flow of information about work performance. Consequently, there is a gap between policy formulation and actual work activities in OSFA, a gap accentuated by the absence of information about the types of actions that can be taken to improve error-prone areas and functions in the delivery system. This relationship is depicted graphically in Figure 3. The quality control process, with its technical and analytic components, is intended to give OSFA formal mechanism for closing this gap.

2.2.2 Placement of the Corrective Action Component

The corrective action component is intended to be the analytic component of the overall OSFA quality control process. The overall quality control process must be well integrated into the management structure of OSFA, as well as provide a mechanism for closing the gap between policy formulations and organizational activities. An illustration suggesting the placement and the role of the corrective action process is presented in Figure 4. This placement and role is explained more fully in the following discussion.

The basic design of the quality control process with its technical and analytic components, should enhance the roles of OSFA managers in instituting corrective

Levels of Organization

Secretary of ED
OSFA Deputy Assistant Secretary

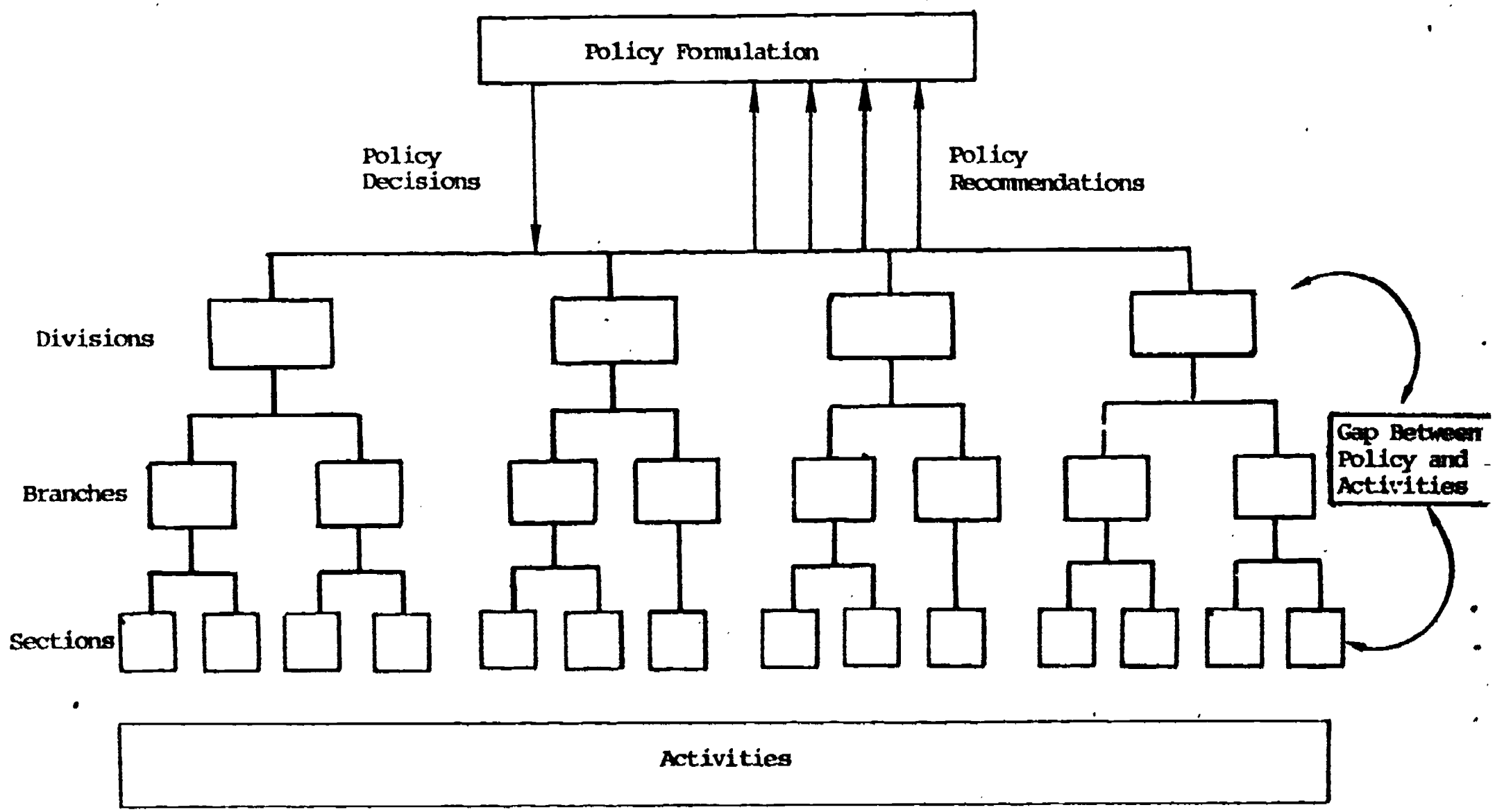

FIGURE 3

OSFA DECISION HIERARCHY

Levels of Organization

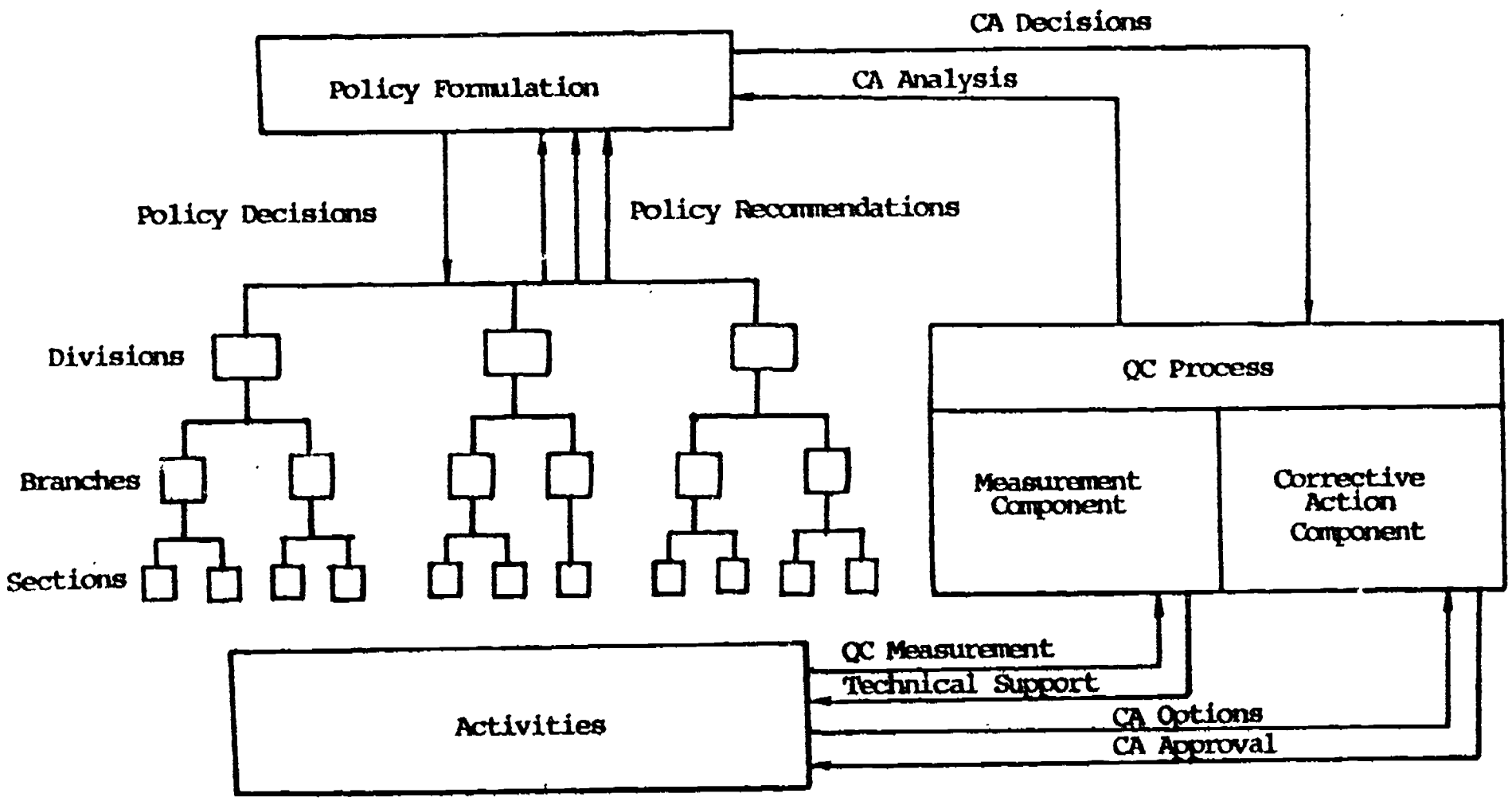

FIGURE 4

INTERFACE BETWEEN OSFA DECISION HIERARCHY AND QC PROCESS

actions. Some of the principles that should guide the overall quality control process

- Quality control procedures, with both measurement and analytic components, should be the responsibility of the Branches and Divisions, in OSFA

- A Quality Control Management Information System should be developed that utilizes management reports generated from individual quality control procedures.

- Additional reporting and analytic capabilities that relate to responsibilities that cut across Divisions, such as the QC ennancements to the OSFA Goals and Objectives System.

The technical assistance activities conducted by Advanced Technology during Stage II of the QC Study illustrates the viability of the first point. For example, technical assistance was provided directly to Divisions so they could develop their own QC enhancements to program quality. Among the results of this technical assistance were:

- A quality control plan for the GSL manual interest billing system in the GSL Branch, DPO.

- An organizational strategy for improving the FISAP process in the Campus-based Branch, DPO.

- A design for an external quality control process for the Pell and Campus-based Program, to be housed in the Division of Quality Assistance (DQA).

- An institutional quality control manual that can be disseminated to postsecondary institutions, sponsored by DQA.

- Enhancements to the OSFA Goals and Objectives System currently being implemented by the Division of Systems Design and Development (DSDD).

The corrective actions component should result in information about corrective actions flowing back and forth between the Divisions and QCMIS. This information flow should consist of:

- Transition of corrective action options from Division and Branches to the QCMIS for all corrective actions that cut across Divisions and require action in more than one Division.

- A formal mechanism for selecting and approving corrective action options for corrective actions that cut across Divisions.

- Direct input of corrective actions that can be implemented by a single Branch or Division to the QCMIS.

An obvious requirement for the corrective action framework will be the establishment of a formal group to make policy decisions about quality control and corrective action. Additionally it will be important to develop a formal mechanism for:

- Making formal decisions about quality control and corrective action
- Developing corrective action procedures
- Developing quality control procedures

3.0 FORMAL CORRECTIVE ACTION MECHANISMS

While the previous section considered the placement of the corrective action process within the OSFA management structure, it did not address the formal organizational mechanisms that would be required to put the framework into action. Four formal mechanisms are critical to implement the overall quality control process and the corrective action framework. These are:

- Assign Responsibility: An individual or group must coordinate the corrective action process.
- Develop Procedures for Initiating Corrective Actions: Procedures must be developed to give OSFA personnel the opportunity to gain recognition for identifying corrective action options.
- Develop Procedures for Implementing Corrective Actions: A formal mechanism for implementing new procedures related to the corrective actions component of the quality control process must be developed.
- Develop a Reporting System Interface QCMIS: The corrective actions framework must be integrated with the technical aspects of the quality control system.

3.1 Assign Responsibility

There are two optional approaches for formalizing the corrective action process in OSFA. The first would simply require appointing a senior official as responsible for the implementation of a corrective action process in OSFA. This official would designate staff responsibilities for implementing the process and for working with Divisions and Branches.

Alternately, the Deputy Assistant Secretary for Student Financial Assistance, in conjunction with Division Directors and Branch Chiefs, could appoint an OSFA Quality Council. The membership of the council, in combination, might include:

- Representatives from each of the OSFA Divisions.
- Individuals with responsibility for the areas identified earlier as targets of opportunity for increasing program quality and reducing error in each Division or Branch.
- At least one representative from each program, GSL, Pell, and Campus-based.

The Quality Council should be responsible for the overall quality control process, both the corrective action component and the technical component. The overall size of the group should be kept between ten and fifteen people, if possible, since larger groups are more difficult to convene and manage. The Division of Quality Assurance (DQA) should provide staff assistance to the Quality Council. The purposes of the council should include:

- Responsibility for the OSFA quality assurance function.
- Approval of Branch and Division quality control plans (with particular emphasis on cross divisional implications).
- Responsibility for implementing the corrective action process and developing OSFA policies and procedures for implementing and initiating corrective actions.

3.2 Corrective Action Procedures

Another important mechanism for the overall quality control process will be the development of a procedure for establishing corrective actions. This procedure should be established by the Quality Council or senior official in charge of corrective actions.

When establishing procedures for initiating corrective actions, the Quality Council or responsible individual should recognize the different types of corrective actions that can be taken. Specifically, the council should distinguish between:

- Type 1: Working level corrective actions that can be implemented at the spot where the worked is performed. Usually, the Section Chief or Branch Chief can approve this type of corrective action. The Quality Council or responsible individual should be concerned primarily with reporting of these actions to the QCMIS, as a formal mechanism for monitoring marginal changes.
- Type 2: Corrective Action Analysis should be required for marginal changes that affect more than one Division, or have implications for the overall delivery system for one of the programs. The Quality Council or responsible individual may reserve the option to approve the selected option. In such cases, the corrective action analysis should consider:
  - Effects of the current procedures on key participants
  - Effects of options on key participants
  - Selected corrective action

- Type 3: Program level corrective actions should be analyzed by the Quality Council or responsible individual. Again, the effects of the current system should be analyzed, along with the differential effects of the marginal change options considered. Recommendations should be submitted by the Deputy Assistant Secretary for approval.

- Type 4: Policy level corrective actions usually require actions outside of OSFA. Some marginal changes, such as forms redesign or simplification, require policy decisions at the level of the Secretary and above. In these cases, the Quality Council or responsible individual should submit recommendations to the Deputy Assistant Secretary. The Quality Council or responsible individual should consider the types of additional procedures that would be necessary for Type 4 corrective actions.

3.3 Procedures for Implementing Corrective Actions

Whenever a corrective action has been approved, new working procedures are necessary. It is possible that these are never documented. Very often formal written procedures will be necessary. For example, when the GSL Branch, DPO undertook corrective actions in the area of manual interest billing, the Branch instituted new procedures. At the very least the Quality Council or responsible individual should establish an overall procedure for implementing corrective actions. This should include:

- Description of the corrective action
- Description of activities tasks and steps affected by the change (perhaps related to the Goals and Objectives System)
- Documentation of written procedures that are to be changed
- Notation of new procedures that should be developed

3.4 QCMIS Reporting

The corrective action system should feed directly into the quality control management information system. The corrective action reports to QCMIS should consist of:

- Summary reports from Divisions and Branches
- Corrective action analysis reports
- Corrective action implementation reports

These reports will vary in frequency and purpose. Summary reports should be designed to provide periodic reporting on progress. Along with the implementation corrective action process, they could provide the basis of the corrective action reporting system. The type of corrective action analysis reports used would depend on the types of corrective actions being implemented, according to the above framework. The corrective action implementation reports would provide a mechanism for reporting on the effects, or savings, of implementing each corrective action. Formal report formats could be developed for each type of report.

4.0 ACTION PLAN

The senior official appointed by the Deputy Assistant Secretary, or Quality Council, should initiate an annual quality improvement program in OSFA. This requires a significant investment in analysis. John L. Kidwell (1975)* observes:

> A quality improvement program is an investment; manpower will be used and money will be spent if results are expected. In order to put everything into the proper perspective, a fact-finding activity is a prerequisite to this investment. One good way of involving the whole organization in this phase is to give key managers specific responsibilities in the fact finding. The recommended approach is through an appointment of an ad hoc team. (p. 34).

Kidwell recommends that the ad hoc team have the same membership requirements as the Quality Council. The basic steps proposed by Kidwell for the annual quality improvement analysis plan are:

- Determine quality policy and current compliance with quality policy
- Determine or estimate quality costs
- Identify dominant quality problems
- Determine compliance to the operating units quality system
- Identify the existing defect prevention system
- Collate and analyze findings
- Develop recommendations for unit management

These steps are used here as a basis for an action plan for implementing the OSFA corrective action process. The action plan is outlined below. The Quality Council is considered the responsible group in this analysis. If a senior official were appointed to implement the framework, then it would be possible to form an ad hoc group that would function in the same manner.

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*John L. Kidwell, A Profit Plan for Quality, Waterford, CT: The John L. Kidwell Company, 1975.

4.1 Determine Quality Policy and Compliance

Determination of the OSFA quality policy could be one of the most critical tasks of the Quality Council. Kidwell defines quality as "that degree of excellence of a product or service that provides for full customer satisfaction over the expected life, with timely availability at a cost to the customer that he can afford, and at a profit to the producer" (p. 30). Clearly, this definition would have to be modified to fit OSFA. Once the definition is developed, the Quality Council could initiate the action plan. The first step in the action plan would be for the Quality Council to request Division Directors to:

- Review OSFA quality definition and program requirements.
- Determine the applicability of the definition to their organization.
- Determine whether or not improvements in the operation are required to adopt the quality policy.
- Determine the extent to which current documentation and procedures are adequate.

Divisions and Branches may identify significant improvements that should be made. For larger Branches, the Branch chief may need to involve Section chiefs and Unit chiefs in the program. The information generated from this procedure will provide a starting point for developing the corrective action process.

4.2 Estimate Quality Costs

Costs of Quality (COQ) is a concept Kidwell recommends for highlighting and displaying the "cost of unquality." According to this view, the concept of quality cost management is a simple one—"once you know these costs, you can take steps to reduce those costs that offend you" (p. 36). In order to achieve this type of incentive structure, it is necessary for the units to report:

- Costs of a quality program (either a quality control module or system enhancements developed internally).

- Costs of losses caused by nonconformance to standards. (This will require fuller specification of losses or gains.)

This type of analysis can help Division and Branch chiefs to identify areas where corrective actions can be implemented. For example, during the past year both the Pell Branch and GSL Branch of DPO have implemented marginal changes that could result in substantial savings. The establishment of this type of reporting system would provide a formal mechanism for giving recognition for such enhancement.

4.3 Identify Dominant Problems

The basic question in identifying dominant problems is "what needs to be fixed?" Quality costs tell managers the areas where improvements are needed. The Pareto approach to corrective action analysis can be applied to this question. This approach recognizes that 80 percent of the problems are caused by 20 percent of the cases. Therefore, the Division and Branch managers should focus on their most error-prone areas. They should be asked to identify their own dominant quality problems, their seriousness and magnitude. They should be asked to separate the "vital few" problems from the "trivial many." Corrective actions should be directed toward important problem areas.

4.4 Determine Compliance to Unit Quality Process

Determining compliance to a unit quality process is a two-step process. Since most units now have an overall quality improvement plan, it will be necessary to first develop a quality plan for the unit --this should evolve out of the review in the prior step.

Generally, organizations have two quality systems: The one they think they have, and the ones they actually have (Kidwell, 1975). In order to determine the actual quality system, it will be necessary to ask OSFA managers:

- If the basic functions are being performed?

- If there are established standards for these activities?
- If these standards are actually adhered to?
- If the new standards are needed?

Kidwell recommends that the Quality Council establish a "Quality Audit Guideline." Once this guideline is established, several quality audit teams should be formed to the selected areas. The audit teams should have the responsibility in the area being audited.

4.5 Determine the Defect Prevention System

Defect prevention, especially marginal corrective actions, should be the responsibility of operating units. The corrective action procedures outlined in the previous section should help establish this principal in OSFA. The Quality Council should consider whether the operating units have internal corrective action systems. The basic question that should be asked all managers is "what are the things you do, every day, in managing your workers, to prevent their making mistakes?" The response will indicate the current defect prevention system in the unit.

4.6 Collate and Analyze Findings

A significant amount of information will be generated from the prior steps. A critical task is to put these results together into a meaningful report. The report should focus on:

- Cause and effect relationship
- The effects of the current system
- The marginal changes that can be made to improve performance
- Assessment of the likely effects of possible marginal change

4.7 Install On-Going Corrective Action System

Once the Quality Council has been through this cycle once, the basic parameters of the on-going corrective action system can be defined and implemented. In fact,

this process can become an annual corrective action process that can lead to on-going refinement and improvement of the student aid delivery system.

5.0 RECOMMENDATIONS

This paper has proposed a corrective action framework for the Office of Student Financial Assistance. The development and implementation of a corrective action process in OSFA can be used to build a management commitment to quality improvement. The principal recommendations of this report are:

- The Deputy Assistant Secretary for Student Financial Assistance designate an individual or group as responsible for the corrective action process.
- The designated official or group should oversee the installation of the Quality Control Management Information System (QCMIS).
- The corrective action process should be established as an integral part of the overall OSFA attempt to increase OSFA program quality.
- The responsible official or group should establish a corrective action process with defined procedures for initiating and implementing corrective actions.
- The responsible official or group should initiate a seven-step procedure designed to develop the corrective action process as described in the action plan.

APPENDIX

COMPARABILITY MATRIX

FOR QUALITY CONTROL SYSTEM DESIGN
AND PROGRAM SYSTEM FLOW
FOR PELL, CAMPUS-BASED AND GSL

This matrix shows which QC subsystems could be used to monitor each step in the Pell, Campus-based, and GSL delivery systems. The numbered steps are taken from the flow charts in "A Comparison of Title IV Student Assistance Delivery Systems" (June, 1982); flow chart titles are indicated in capital letters.

A bullet indicates that the QC subsystem at the head of the column could be used to monitor the delivery system step listed on the left.

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instit. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
PELL GRANT DELIVER SYSTEM								
1. ED Designs and Distributes Application Form		●						●
2. ED Determines Processing Specifications		●						●
3. ED Determines Family Contribution Schedule		●						●
4. ED Determines Payment Schedule		●						●
5. Student Fills Out Pell Grant Application	●		●					●
6. Student Fills Out MDE Application	●		●					●
7. Pell Grant Processor Edits, Produces SAR			●		●			●
8. MDE Processor Enters Data; Submits Tape to Pell Grant Processor			●		●			●
9. Student Corrects	●		●					●
10. Processor Determines SAI			●		●			●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instf. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
PELL GRANT DELIVERY SYSTEM (CONTINUED)								
11. Student Verifies SAR	●		●					●
12. Student Submits SAR to Institution			●					●
13. Institution Determines Whether Student Meets General Eligibility Criteria	●		●	●				●
14. Institution Validates	●		●	●				●
15. Institution Determines Size of Award	●			●				●
16. ED Establishes Institution Authorization Level; Draws Funds from EDPMTS; Reports to EDPMIS		●						●
17. Institution Disburses Award to Student — Details in "Inst. Reporting and Disbursement"	●		●					●
18. Institution Retrieves Overpayment or Refers Cases to ED — Details in "Inst. Reporting and Disbursement"			●	●				●
19. Inst. submits SAR & Prog. Rpts.; ED Adjusts Authorizations — Details in "Inst. Reporting and Disbursement"		●		●				●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Rules (All)	Processor/Vendor (All)	FISAP Institution Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
PELL GRANT INSTITUTION REPORTING AND DISBURSEMENT								
1. PIMS Processes Initial Authorization; Notifies Inst. & EDFMIS of Init. Author.		●						●
2. EDFMIS Processes Authorization; Notifies EDPMTS		●						●
3. EDPMTS Processes Authorization Letter		●						●
4. Institution Receives Authorization Notice			●	●				●
5. Institution Submits Request for Funds			●	●				●
6. EDPMTS Processes Request; Sends Check or Letter of Credit		●	●					●
7. Inst. Receives Initial Disbursement			●	●				●
7a. (Institution Submits Ad Hoc Progress Report & SARs)			●					●
7b. (PIMS Processes Reports.; Notifies Inst. & EDFMIS of Adjusted Authorization)		●	●	●				●
7c. (EDFMIS Processes Authorization Change)		●	●					●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Dis-bursement (Pell)	Institution Review (All)	Processor/ Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
PELL GRANT INSTITUTION REPORTING AND DISBURSEMENT (CONTINUED)								
7d. (Institution Submits Periodic Request for Funds & Report of Expenditures)			●	●				●
7e. (EDFMTS Processes Request; Sends Check or Letter of Credit)		●	●					●
8. Institution Submits Progress Report & SARs			●	●				●
9-13. Same as 7a-7e		●	●	●				●
14-19. Same as 7a-7e		●	●	●				●
20-25. Same as 7a-7e		●	●	●				●
26. PIMS Produces Student Validation Roster Based on All SARs Received to Date		●	●					●
27. Institution Verifies and/or Corrects Roster Data Based on Own Records			●	●				●
28. PIMS Processes Final Reconciled Roster	●	●	●					●
29. EDFMIS Processes & Closes; Notifies EDFMTS		●	●					●

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FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Inst. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
PELL GRANT INSTITUTION REPORTING AND DISBURSEMENT (CONTINUED)								
30. EDPMTS Closes Account		●	●					●
31. Institution Receives Final Roster			●	●				●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
CAMPUS-BASED--ED/INSTITUTION PREAPPLICATION PROCESS								
1. ED Publishes NDSL Low Income Institution List		●						●
2. ED Reimburses Teacher/Military Cancellations (NDSL)		●				●		●
3. ED Reports NDSL Assignment Acceptances & Referral Activity to Institutions		●				●		●
4. ED Drafts & Publishes Funding NFRM		●				●		●
5. ED Develops, Clears, & Distributes FISAP		●				●		●
6. ED Determines Eligibility & Certifies New Institutions		●				●		●
7. Institution Submits FISAP		●				●		●
8. ED Key Enters Data, Produces Edit Report		●				●		●
9. Institution Corrects or Verifies Report		●				●		●
10. ED Processes Report; Sends Tentative Allocation Letter		●				●		●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Poll)	Goals & Objectives (All)	Student/Dis-bursement (Poll)	Institution Review (All)	Processor/ Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC - M.I.S. (All)
CAMPUS-BASED--ED/INSTITUTION PREAPPLICATION PROCESS (CONTINUED)								
11. National Appeal Panel Reviews Request and Makes Recommendation		●				●		●
12. Appeals Are Processed		●				●		●
13. ED Calculates Final Awards		●				●		●
14. ED Notifies EDPMTS of Allocation Level		●						●
15. ED Sends Final Award Letter to Institution		●		●				●
16. Institution Periodically Draws Funds from EDPMTS up to Allocation Level		●		●				●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
CAMPUS-BASED--INSTITUTION/STUDENT FLOW								
1. Student Fills Out Aid Application								
2. Institution Uses Approved System to Calculate Need				●				●
3. Institution Determines Student Eligibility for Federal Funds				●				●
4. Institution Determines Award Size Based on Funds Availability				●				●
5. Student Accepts or Rejects Award				●		●		●
CWS								
6. Institution Determines Eligibility of Employer & Specific Job				●				●
7. Institution Matches Student to Job				●				●
8. Student Accepts and Performs Job				●		●		●
9. Employer Pays Student & Submits Payroll Record to Institution				●		●		●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	M.I.S. (All)
CAMPUS-BASED--INSTITUTION/STUDENT FLOW (CONTINUED)								
10. Institution Reimburses Employer				●				●
11. Institution Employs & Pays Student				●		●		●
12. Institution May Obtain Waiver of Matching Requirement from ED				●				●
13. Employer Submits Payroll Record to Institution				●				●
14. Institution Pays Student				●		●		●
15. Employer Reimburses Institution				●				●
16. Institution Monitors Cumulative Earnings to Prevent Overaward				●				●
SEOG								
17. Institution Periodically Disburses SEOG				●		●		●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Dis-bursement (Pell)	Institution Review (All)	Processor/ Vendor (All)	FISAP Insti-Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
CAMPUS-BASED--INSTITUTION/STUDENT FLOW (CONTINUED)								
NDSL								
18. Institution Informs Student of Rights & Obligations; Student Completes Data Sheet & Signs Note				●		●		●
19. Student Signs Advances as Required				●				●
20. Institution Disburses Funds				●		●		●
21. Student Completes Educational Program				●		●		●
22. Inst. Conducts Exit Interview; Student Signs Repayment Schedule and Updates Data Sheet; Inst. Reinforms Student of Rights and Obligations				●				●
23. Student In Grace Period, Institution Exercises Due Diligence				●				●
24. Institution Bills Student				●		●		●
25. Inst. Attempts to Collect Unpaid Loan, Including Suing & Referring to ED				●				●
26. Student Makes Payment on Time				●		●		●

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FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC -M.I.S. (All)
CAMPUS-BASED--INSTITUTION/STUDENT FLOW (CONTINUED)								
27. Student Receives Promissory Note Marked "Paid in Full"; Account Closed								
28. Student Requests Cancellation						●		●
29. Institution Acts on Cancellation Request				●		●		●
30. Student Requests Deferment						●		●
31. Institution Acts on Deferment Request				●		●		●
All Programs								
32. Institution Maintains Records				●				●
33. ED Conducts Program Reviews		●		●				●
34. Institution Records Audited				●				●
35. Institution Submits Semi-Annual Report on Defaulted NDSL Borrowers				●				●

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
GSL/FISL DELIVERY SYSTEM								
NB.: Because no FISL Loans will be made after October 1, FISL-only steps are omitted.								
1. Student Obtains Application and Fills Out Student Portion								
2. Institution Certifies Financial and Enrollment Status; Determines General Eligibility; Applies Needs Test				•				•
3. Student Submits Application to Lender								
4. Lender Submits Application to GA (Guarantee Agency)							•	•
6. GA Guarantees Loan							•	•
8. Student Signs Promissory Note								
9. Lender Issues Check								
10. Lender May Contract Servicing Function							•	•
11. Lender May Sell Note to Secondary Market							•	•

QC SUBSYSTEM COMPARABILITY: DESIGN ONLY

FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instl. Allocation (CB)	GSL Interest Payment (GSL)	QC "N.I.S." (All)
GSL/FISL DELIVERY SYSTEM (CONTINUED)								
NB.: Because no FISL Loans will be made after October 1, FISL-only steps are omitted.								
12. Lender or GA Notifies School of Loan				●				●
13. Check Payable to Student and Institution Jointly								
14. Institution Gives Check to Student				●				●
15. Check Sent to Student								
16. Check Sent to Institution								
17. Student Pays School and Retains Remaining Funds				●				●
18. Both Parties Endorse Check				●				●
19. Institution Retains What Student Owes; Student Receives Remaining Funds				●				●
20. Lender Requests Interest Subsidy							●	●

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FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Instit. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
GSL/FISL DELIVERY SYSTEM (CONTINUED)								
NB.: Because no FISL Loans will be made after October 1, FISL-only steps are omitted.								
21. Lender Bills Student for Interest							●	●
22. Lender Receives Payment of Special Allowance							●	●
23. GA, ED, or Lender Confirms Student Status with School				●				●
24. Student Enters Repayment Status								
25. Student May Consolidate Loans with SLMA							●	●
26. Student Notifies Lender of Deferment Status							●	●
27. Lender Exercises Due Diligence							●	●
28. Lender Submits Claim to GA (write-off)							●	●
30. Lender Submits Claim to GA (default or Ch. 13)							●	●

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FLOW CHART AND STEPS (NUMBERED BOXES)	External (Pell)	Goals & Objectives (All)	Student/Disbursement (Pell)	Institution Review (All)	Processor/Vendor (All)	FISAP Inst'l. Allocation (CB)	GSL Interest Payment (GSL)	QC M.I.S. (All)
GSL/FISL DELIVERY SYSTEM (CONTINUED)								
NB.: Because no FISL Loans will be made after October 1, FISL-only steps are omitted.								
32. GA Pays Claim (write-off)							•	•
34. GA Pays Claim (default or Ch. 13)							•	•
36. GA Submits Claim to ED for Reimbursement (write-off)							•	•
37. GA Submits Claim to ED for Reimbursement (default or Ch. 13)							•	•
38. ED Reimburses GA (write-off)		•					•	•
39. ED Reimburses GA (default or Ch. 13)		•					•	•
40. GA Attempts to Collect From Student								
42. GA Sends Reimbursement Check to ED							•	•
44. Defaulted Loan Account is Credited with Repayment							•	•
45. Lender Requests Payment of Special Allowance							•	•

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