



**NASFAA**

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS



# NASFAA TASK FORCE REPORT ADMINISTRATIVE CAPABILITY

## Introduction

Administrative capability is the term used to refer to an institution's ability to comply with the laws and regulations governing the Title IV student aid programs. The concept of administrative capability applies broadly to both an institution's demonstrated compliance with law and regulation, and its capacity to comply by demonstrating adequate numbers of properly trained staff and by having formal policies and procedures. Administrative capability is not limited to the list of requirements that fall under that heading in section 668.16 of the Code of Federal Regulations (CFR). That means that an institution can be found to lack administrative capability for failures to comply with rules outside of the administrative capability section of regulation. Administrative capability encompasses the entirety of an institution's compliance with every statutory and regulatory requirement in the Higher Education Act (HEA) and in federal regulations.

In listening sessions held in 2019 at regional conferences across the country, NASFAA members raised concerns about a perceived lack of institutional support for financial aid office staffing and training to ensure compliant administration of the Title IV student aid programs and provide quality service to their students. As a result of this feedback, NASFAA convened this task force and charged it with exploring legislative and regulatory opportunities to provide better support for financial aid offices to ensure institutions are meeting administrative capability standards, including:

- Aligning administrative capability to a benchmark of dollars allocated per staffer and/or per student.
- Exploring other professions who must be deemed administratively capable or proficient and determining whether there are minimal training dollars or benchmarks in those professions (certified public accountants, attorneys, etc.) that could be used as a model in our profession.
- Investigating non-exhaustive thresholds that schools could use to demonstrate administrative capability, which could include:
  - Dollars spent on training, staffing, and salaries relative to other institutions of similar size, mission, etc. (money spent could be through federal, national, regional, or state conferences or other trainings)
  - Compliance review (could be done through NASFAA, an outside company, or on their own)
  - Credentials and CFAA training (NASFAA/regional/state specific).
  - Administrative Cost Allowance (ACA) amounts — adjusted for inflation — as a basis for staffing and training dollars.
- Researching the issues that lead to heightened cash management in an effort to identify common challenges and possible solutions.
- Offering possible incentives that could be offered (e.g., certain regulatory relief) for schools that meet certain levels of administrative capability, accounting for differing institutional missions.

## Task Force Members

Chair: Mary Sommers, University of Nebraska at Kearney

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## Executive Summary

The Administrative Capability Task Force was convened by the National Association of Student Financial Aid Administrators (NASFAA) to deliver a report containing recommendations that could provide better support for financial aid offices, ensuring they are able to meet administrative capability standards.

The task force comprised a geographically diverse group of NASFAA members from all types of postsecondary institutions. Based on research and discussions, the task force developed three recommendations for ways in which NASFAA can be instrumental in the improvement of administrative capability on campuses.

To address the issues outlined above, this task force presents three recommendations for NASFAA, which are outlined in more detail within this report:

- Recommendation #1:** Repackage existing products into an Administrative Capability Toolkit that will provide a one-stop shop for resources to assist an institution in assessing its administrative capability.
- Recommendation #2:** Collaborate with the American Council on Education (ACE) to educate campus chief executive officers regarding the importance of their understanding of and commitment to ensuring campus compliance with the Higher Education Act and associated regulations.
- Recommendation #3:** Further study specific administrative relief or regulatory incentives for institutions that demonstrate administrative capability.

## Research

As part of its review of the current environment relating to administrative capability, the task force members reviewed the following:

- Current statute and regulations
- Published Department of Education (ED) program review findings
- Existing NASFAA tools focused on administrative capability
- Results of NASFAA's 2019 Administrative Burden Survey
- Other existing professional standards used to indicate capability both within and outside of higher education
- Existing incentives within federal statute and regulations for demonstrating administrative capability
- Survey of NASFAA Standards of Excellence (SOE) program leaders

## Program Review Findings

The task force reviewed a sample of 20 out of 299 [Final Program Review Determinations and Expedited Determination Letters](#) for Fiscal Year (FY) 2018. The sample included public, proprietary, and private nonprofit schools whose student populations ranged from 71 to more than 56,000 students. Of this sample, six institutions' reports included a finding of lack of administrative capability.

- The following were the top findings associated with lack of administrative capability mentioned in the program reviews:
  - Failure to provide loan counseling or missing loan counseling records
  - Campus safety and security violations
  - Failure to develop and monitor a satisfactory academic progress policy (SAP)
  - Failure to prepare Return Title IV (R2T4) calculations and return funds
  - Consumer disclosures
  - Overall lack of administrative capability

Program review findings appeared to indicate that the severity of the infraction was a direct correlation to administrative capability findings, although the severity threshold was sometimes difficult to discern.

## Administrative Burden Survey Results

Given the broad scope of administrative capability, the need for a sufficiently-sized, well-trained financial aid office staff is evident. However, the feedback garnered through listening sessions and through NASFAA's 2019 Administrative Burden Survey indicates a lack of resources dedicated to staffing and training may be factors resulting in shortfalls in this high-risk area of compliance.

Survey respondents expressed that lack of specific metrics or standards for establishing administrative capability makes it difficult for the financial aid office to argue for the resources they need. Financial aid administrators reported concern that budget requests don't get the attention they merit because of a lack of campus-wide understanding of the importance of administrative capability. However, many were wary of prescriptive definitions and criteria that could impact institutions differently and add unnecessary burden.

## Discussion

Much of what is required to demonstrate administrative capability is beyond the control of the office of financial aid (e.g., consumer information reporting and disclosures on campus crime, and Constitution Day requirements). Yet it is often the financial aid director who serves as the gatekeeper for the institution, warning of serious consequences if these requirements are not met. Because of concerns expressed in NASFAA's 2019 Administrative Burden Survey that these warnings often fall on deaf ears, the task force considered whether to recommend changes to federal statute that would force institutions to make investments in staffing and training that financial aid administrators need to ensure administrative capability standards are met.

While the task force considered minimum financial aid office staffing level requirements in order to be eligible to participate in the Title IV programs based on student population and/or characteristics, or requiring a minimum dollar amount per full-time equivalent (FTE) to be dedicated to training, ultimately, it did not choose to recommend statutory changes, on the basis that statutory mandates rarely accommodate institutional differences. The complexity of requirements such as these would be significant and would add to institutional burden without necessarily helping schools improve compliance. This decision reflected responses to the question, "Would you want administrative capability further defined in statute or regulation?" in NASFAA's 2019 Administrative Burden Survey, where only 44% of respondents answered "yes," while 23% responded "no," and 33% responded "unsure."

# Recommendations

In lieu of statutory change recommendations, the task force offers recommendations that stress the seriousness of compliance concerns for the entire institution, not just for the financial aid office. At the same time, the task force recognizes the role financial aid administrators have to play in ensuring administrative capability, and includes recommendations that NASFAA re-package existing tools for financial aid administrators into a package focused exclusively on administrative capability. The recommendations argue that chief executive officers should play a larger role in administrative capability, with the goal of creating a culture of campus-wide compliance. And, finally, the task force suggests areas for future work in exploring administrative and/or regulatory relief as incentives for institutions to meet administrative capability standards.

The task force proposes that NASFAA:

## 1. Repackage existing products into an Administrative Capability Toolkit that will provide a one-stop shop for resources to assist an institution in assessing its administrative capability.

[NASFAA's mission](#) charges the organization's staff and its Board of Directors to support financial aid administrators by providing exceptional professional support, training development, and technical assistance.

This "toolkit" of resources is intended to support the understanding of administrative capability at the national, regional, and state levels, much like the [Diversity Toolkit](#).

Recommended components include:

- Introduction to Administrative Capability
- Adequate Resources, Separations of Functions, and Information Sharing
- Electronic Processes, Recordkeeping, and Contingency Planning
- Other Administrative Capability Requirements
- Student Aid Index

The toolkit also would reference additional resources provided by NASFAA:

- [Self-Study Guide on Administrative Capability through NASFAA U](#)
- [Self-Evaluation Tool: Administrative Capability](#)
- [AskRegs Knowledgebase: Answers related to Administrative Capability](#)

## 2. Collaborate with the American Council on Education (ACE) to educate campus chief executive officers regarding the importance of their understanding of and commitment to ensuring campus compliance with the Higher Education Act and associated regulations.

Understanding that senior campus leaders have multiple responsibilities, the task force recommends NASFAA collaborate with ACE and other presidential associations to recognize the administrative burden associated with administrative capability.

Additionally, we recommend that competencies be identified by which campus CEOs affirm their understanding of institutional administrative capability requirements. Examples include an attestation of institutional compliance that could involve a new process associated with the A-133 and/or recertification of the program participation agreement. This would require the CEO to sign off on the institution's obligation to meet administrative capability requirements.

This should be a separate process that only the CEO can complete, and it would ensure that the CEO has reviewed the various components of administrative capability for the entire institution, including the business office, registrar, athletics, public safety, academic affairs, student life, marketing, and admissions. Suggested components include but are not limited to adequate staffing, adequate training, and adequate budget resources across the institution.

### 3. Further study specific administrative relief or regulatory incentives for institutions that demonstrate administrative capability.

There are existing examples within the current Title IV statute and regulations of rewards for meeting standards and consequences for falling below standards. For instance, institutions with low cohort default rates (CDRs) are exempt from delaying Direct Loan disbursements for first-year, first-time borrowers, and from the requirement to make multiple disbursements for loans, whereas institutions with higher default rates are subject to those rules and, further, risk eligibility to participate in the federal student aid programs under certain circumstances. The task force is proposing further study of specific incentives that would provide administratively capable institutions with relief from certain regulatory or reporting requirements, essentially establishing a performance-based financial aid office.

Along with regulatory relief, institutions could be granted a designation as administratively capable, akin to the Department of Defense Principles of Excellence program. This designation would provide institutions with a marketing tool that may be attractive for recruitment of students, and could be an area of opportunity for NASFAA to participate in the development of right-sized indicators of administrative capability that may include existing NASFAA services and products.

Examples of incentives for achieving this designation include:

- Exemption from certain audit requirements.
- Abbreviated reporting requirements.
- Federal program review waivers.
- Relief from certain verification requirements.
- Authority to propose innovative experiments (e.g., making emergency loans exempt from consideration as estimated financial aid).
- Exemption from the requirement for students to complete Annual Student Loan Acknowledgment (ASLA).

Incentives would need to be dependent upon the development of some type of process or application for an institution to document administrative capability. Additionally, there needs to be an authority (ED and/or NASFAA) verifying the institution's eligibility to receive the designation. Said process would have to be reasonable and equitable, and should not be so difficult to achieve that it would only swap one type of burden for another.

Indicators of administrative capability to be factored into the designation might include:

- Institutional dollars spent on financial aid staffing and salaries (using NASFAA benchmarking standards) relative to similar institutions.
- Professional credentials and designations earned by financial aid staff, including the designation as a Certified Financial Aid Administrator®, professional credentials earned through NASFAA, participation in continuing education and professional development opportunities held by ED's Office of Federal Student Aid, and other trainings held at the state, regional and national levels
- Percentage of ACA allocated to training financial aid staff.
- A ratio of dollars provided to the financial aid office for ongoing training and staffing based upon student population or other factors.
- Compliance audits and/or federal program review with no findings.
- CDRs or repayment rates.
- Graduation/persistence rate.
- Placement rates.

The task force envisions that these indicators would factor into a composite score reflective of institution type and/or mission to ensure that any institution could achieve designation regardless of resources, student population, or other factors that might put certain institutions at a disadvantage.

## Conclusion

Financial aid administrators recognize and understand the importance of administrative capability to the health of the institution, and they take their compliance role seriously. Yet, financial aid administrators indicate that they are hampered in their efforts by a lack of resources, awareness, and cooperation at the institutional level.

It is our hope that these recommendations will lead not only to improved administrative capability and greater stewardship of taxpayer dollars, but also to a change in how administrative capability is viewed by institutional leaders, from simply the purview of the financial aid office to a shared responsibility across campus.

# Appendix: Administrative Capability Program Review Findings

## Institution Sample

### School 1 (large, 4-year public institution):

- The retention of Title IV funds and failure to return Title IV funds in the school's holding account until prompted by the Department of Education (ED);
- The excessive Perkins loan default rate;
- The failure to provide federal Perkins Loan counseling to all of borrowers who either withdrew or failed to return after completing a term;
- The inability to reconcile the financial aid management system with other institutional and federal systems to ensure proper account management of federal funds; and
- Violations specific to the Clery Act, including not reporting statistical information to ED for additional locations.

### School 2 (small, for-profit institution)

- Failure to submit a close-out audit.

### School 3 (small, for-profit institution):

- Inadequate leave of absence (LOA) policy and failure to update new completion date in student records;
- Ineligible high school diploma;
- Crime awareness requirements not met;
- Drug and alcohol abuse prevention program requirements not met;
- Inadequate consumer information;
- Inadequate verification/failure to resolve conflicting information;
- Loan underawarded; and
- Missing entrance/exit counseling records.

### School 4 (large, for-profit institution)

- Bank charges made to federal account;
- Admissions policy not followed/documented;
- Attendance policy inadequate;
- Closed school loan discharges;
- Consumer information requirements not met;
- Crime awareness requirements not met;
- Current year funds used to pay prior year changes;
- Drug and alcohol abuse prevention program requirements not met — multiple violations;
- Failure to implement Quality Assurance System;
- Federal Pell Grant overpayment/underpayment;
- Financial need not determined/incorrect;
- Fiscal Operations Report and Application to Participate (FISAP) income grid incomplete;
- Gainful Employment disclosure requirement not met;
- Improper Award — Direct Loan not prorated;
- Information in student files missing/inconsistent;
- Lack of administrative capability;
- Return of Title IV funds not made;
- Return of Title IV policy not developed/inadequate;

- Return of Title IV for calculation errors;
- Satisfactory Academic Progress (SAP) policy not adequately developed/monitored;
- Student credit balances deficiencies;
- Student status — inaccurate/untimely reporting;
- Unreconciled balances;
- Verification policy not documented adequately; and
- Verification violations.

### School 5 (large, 2-year public institution):

- Failure to develop and monitor a satisfactory academic progress policy (SAP); and
- Failure to prepare return of Title IV funds calculations and to pay them in a timely manner.

### School 6 (small 4-year private institution):

- Cost of attendance (COA)/need exceeded;
- Failure to verify student's last date of attendance for all "F"/"FA" grades;
- Failure to document student's change in major of study;
- Failure to notify students of loan disbursements;
- Failure to perform student loan entrance/exit counseling;
- Failure to update COA for students attending summer term;
- Failure to update Eligibility and Certification Approval Report (ECAR);
- Inaccurate ledgers;
- Inadequate award letters;
- Inadequate academic bankruptcy policy;
- Institution not following its own policies;
- Lack of internal controls;
- Missing Institutional Student Information Records (ISIRs);
- Return of Title IV;
- SAP policy inadequate;
- The institution does not have a procedure in place to check validity of high school diplomas/transcripts; and
- Verification violations.

**The National Association of Student Financial Aid Administrators (NASFAA) provides professional development and services for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues; and is committed to diversity throughout all activities.**



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