

Payment Integrity Scorecard

Program or Activity
William D. Ford Federal Direct Loan Program

Reporting Period
Q3 2023

FY 2022 Overpayment Amount (\$M)* **\$103**

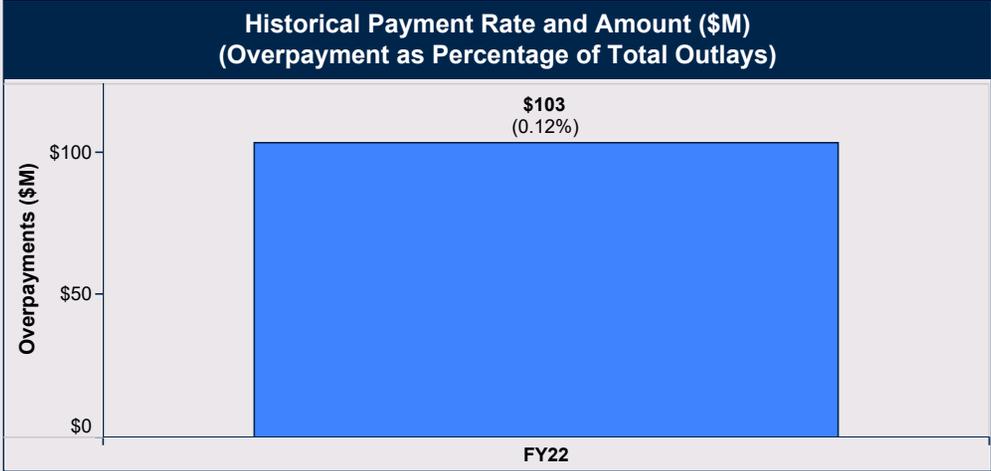
*Estimate based a sampling time frame starting 10/2020 and ending 9/2021



ED
William D. Ford Federal Direct Loan Program

Brief Program Description & summary of overpayment causes and barriers to prevention:

The Direct Loan (DL) program provides need-based grants to low-income undergraduate and certain post baccalaureate students to promote access to postsecondary education. Root Causes of DL overpayments include, misreported income on the FAFSA, incorrect calculation of Return of Title IV funds, failure to return unclaimed credit balances to the Dept., and failure to meet satisfactory academic progress. Barriers include the program structure of the DL program, which requires that funds pass through an intermediary non-federal entity before reaching the ultimate beneficiary (student). The statute provides FSA authority to require the third-party to impose certain internal controls or mitigation strategies, and FSA exercises this authority.



Discussion of Actions Taken in the Preceding Quarter and Actions Planned in the Following Quarter to Prevent Overpayments

FSA publishes and delivers various free trainings, guidance, and resources for school financial aid administrators to target the root causes of improper payments and other frequently identified compliance issues throughout the year. As of FY23 Q3, FSA published the 2022-2023 FSA Handbook and FSA Assessments, which provides significant guidance, training, and resources for thousands of school financial aid administrators. For example, the application and verification guide within the FSA Handbook provides guidance and resources to college financial aid administrators and counselors who help students begin the aid process, including filing the Free Application for Federal Student Aid (FAFSA) form, verifying information, and making corrections and other changes to the information reported on the FAFSA form. Training, guidance, and resources are precautionary procedures to help prevent and reduce improper payments and unknown payments. In FY23 Q4, FSA will continue to plan and develop materials for its annual FSA Training Conference, which hosts hundreds of institution administrators. The 2023 conference is scheduled for FY24 Q1.

Accomplishments in Reducing Overpayment		Date
1	FSA implemented a new software tool that enables user access to import Direct Loan School Account Statement (SAS) and Rebuild files sent by the Common Origination and Disbursement System, which is FSA's system for processing, storing, and reconciling financial aid data.	Mar-23
2	FSA recently delivered a Webinar titled "Verification 22-23 and 23-24." The event attracted 1,971 participants from the financial aid community, setting a new attendance milestone, and FSA team also fielded nearly 250 questions during Q&A.	Mar-23
3	FSA has made significant progress on a new website for G6, a new and modernized grants and financial management system from FSA's prior G5 system. ED will implement the first three key system upgrades for G6: a new URL for the website, new home page, and new log-in option.	Jun-23

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Goals towards Reducing Overpayments	Status	ECD	Recovery Method	Brief Description of Plans to Recover Overpayments	Brief Description of Actions Taken to Recover Overpayments
1 Deliver various free trainings, guidance, and resources for school financial aid administrators to target the root causes of IPs. FSA continually performs training activities to mitigate RCs of IPs. As of Q3, FSA published the 22-23 FSA Handbook and FSA Assessments, which provides significant guidance, training, and resources for thousands of school financial aid administrators. Training, guidance, and resources are precautionary procedures to help prevent and reduce IP and UP.	On-Track	Sep-23	1 Recovery Activity	ED will continue to use a system of oversight to help detect and recover IPs and ensure compliance by participating parties. ED will establish accounts receivable and pursue collection for improper payments identified and deemed collectable.	For improper payments identified through FSA's oversight activities, ED established accounts receivable and pursued collection for those receivables deemed collectable, including applicable overpayments, in FY23 Q3 and will report recoveries in the year-end OMB Data Call.
			2 Recovery Activity	Perform program reviews of schools for eligibility, financial responsibility, and administrative capability requirements. If applicable, FSA will assess the school a monetary liability, identify action(s) schools must take to resolve the OP, and pursue collection.	For overpayments identified through program reviews, ED established accounts receivable and pursued collection for those receivables deemed collectable. FSA pursued collection of applicable overpayments in FY23 Q3 and will report recoveries in the year-end OMB Data Call.
2 Implementation of the FUTURE Act. Full implementation planned for FY25 will allow FSA to obtain data directly from the IRS to perform data matching used for verification procedures. FSA anticipates this will reduce IPs due to misreported income by FAFSA applicants. In Q3, FSA utilized and promoted the IRS Data Retrieval Tool, enabling applicants to transfer tax return data from an IRS website to their FAFSA, ensuring accurate data is being transferred, which reduces IPs.	On-Track	Jan-24	3 Recovery Activity	Review Single Audits. Schools are required to develop CAPs for deficiencies. FSA will review & evaluate the school's CAPs. If applicable, FSA will assess the school a monetary liability, identify action(s) schools must take to resolve the OP, and pursue collection.	For overpayments identified through Single Audit Act compliance audits, ED established accounts receivable and pursued collection for those receivables deemed collectable, including applicable overpayments, in FY23 Q3 and will report recoveries in the year-end OMB Data Call.

Amt(\$)	Root Cause of Overpayment	Root Cause Description	Mitigation Strategy	Brief Description of Mitigation Strategy and Anticipated Impact
N/A	Overpayments within agency control that occurred because of a Failure to Access Data/Information Needed.	Specific root causes include, but are not limited to, ineligibility for a Direct Loan and incorrect self-reporting of an applicant's information that leads to incorrect awards based on Expected Family Contribution.	Change Process – altering or updating a process or policy to prevent or correct error.	FSA anticipates improved income verification will reduce IPs. In FY22, Verification findings, including misreported income, were an est. \$45.46M. FSA expects a decrease when the FUTURE Act is fully implemented as FSA will be able to obtain income data directly from the IRS.
\$103M	Overpayments outside the agency control that occurred because of a Failure to Access Data/Information Needed.	Incorrect processing of student data by institutions; student account data changes not applied/processed correctly; satisfactory academic progress not achieved; incorrectly calculated return of student aid funds; and processing errors by servicers.	Training – teaching a particular skill or type of behavior; refreshing on the proper processing methods.	FSA will continue to offer training, resources, and guidance. FSA anticipates these activities to continue to produce estimates within FSA's tolerable IP band. FSA anticipates reduction, but IPs cannot be fully eliminated since payments are outside of FSA's direct control.