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Direct Loan Reconciliation

Virginia Hagins: Hello. I'd like to welcome you to our live training session. Today's session is Direct Loan Reconciliation. We will be covering the process of monthly reconciliation and some of the simple techniques and tools that are available to schools to assist you in this process. We'll also be briefly discussing Program Year Closeout.

Your instructors for today are myself -- I am Virginia Hagins and I am a Training Officer in the San Francisco Regional Office; and with me is Margaret Day, who is also a Training Officer, and she is in the Denver Regional Office.

If you'll take a look at your screen, I'd like to point out to you an important function available to you throughout this session. You'll notice you have an opportunity to ask questions by using the Question and Answer function found in the bottom left-hand corner of your screen.

By entering your question in the textbox and selecting Submit, a team from FSA will in turn be waiting to respond to your question. Now if you don't receive an immediate response, it may be that your question requires additional research, and we will respond to you at a later time when a satisfactory answer can be provided to you.

Our agenda today is to give you an overview of the reconciliation process, which is an outgrowth of your daily processing. We will demonstrate how your monthly reconciliation begins with a review of your school's cash summary and ending cash balance. And then we will show you how to drill down into the detailed transactions to research any discrepancies.

Next on the agenda is Cash Reconciliation, which is where we'll show you the tools needed to perform this portion of reconciliation. We'll also be discussing cash discrepancies. Disbursement Reconciliation, we'll cover topics such as tools and common discrepancies.

Throughout the session, we will review a case study that demonstrates the use of some of the simple techniques and tools by a sample school. Finally, we will discuss documentation and its importance in the reconciliation process.

So let's start by defining the process of reconciliation. It is the process by which records from one system are compared to records from another, and any discrepancies are identified and resolved. Now, balancing your checkbook is in essence a reconciliation between you and your bank. You review your bank statement and compare it to your personal records of funds received and checks written and debits made during the month. You identify any discrepancies and you work with your bank if needed to resolve them. You also document any outstanding commitments for your remaining funds.

Direct Loan Reconciliation is the process by which the Direct Loan cash balance recorded on the Department of Education system is reviewed and compared with a school's internal records on a monthly basis, just like balancing to your bank statement as discussed in the last slide. The school must identify and resolve discrepancies and document reasons for their ending cash balance within

their records. Identifying reasons for your ending cash balance is again similar to identifying any outstanding commitments for funds from your personal finances. You need to know where your funds have been spent or where they're going to be spent within applicable cash management regulations. We are going to expand on the parts of the definition in the following slides.

Reconciliation and eventually closeout actually starts with a school's processing cycle. Everything schools do during the month -- creating, sending records, resolving rejects, following up on open issues -- helps in the reconciliation process. The monthly reconciliation should really just be another check of the records to those of the Department and again is similar to balancing your bank statement. If you find any discrepancies, you track down the reason and work to get it resolved.

If you have a remaining balance, you need to know if there are outstanding commitments for those funds, such as disbursements, adjustments or refunds of cash to be reported, or if further funds are needed to cover transactions, disbursements that were previously reported. At the end of the processing year, there should be no funds outstanding on either the school's records or the Department's. The closeout deadline signifies the official end of the processing year, but schools really should be able to close out much sooner since their balances should be \$0 when they are finished drawing funds and disbursing for an award year.

A school is required to complete final reconciliation and program year closeout as soon as possible after the end of the award year, but no later than the program year closeout date. At that point, a final reconciliation should allow a school to identify and resolve any remaining discrepancies and ensure that any remaining funds are returned or a final drawdown is made. Closeout is simply a final reconciliation to a \$0 balance.

The final Direct Loan closeout deadline will always be the last processing day in July, normally July 31st, of the year following the end of the award year. For example, for the 2009-'10 award year, it will end on June 30, 2010, and the '09-'10 Direct Loan program year closeout date will be July 31, 2011.

Under the Direct Loan regulations, schools are required to report actual disbursements and adjustments to disbursements within 30 days. Monthly reconciliation helps you to ensure that your school is meeting that requirement, but is not meant to be the only check of your school's compliance. You are responsible for ensuring your daily, weekly and/or monthly processes allow you to meet the 30-day reporting requirement, which supersedes both monthly reconciliation and program year closeout requirements.

We have briefly mentioned Ending Cash Balance or ECB. So what is it? A school reconciles its Direct Loan account by comparing the Ending Cash Balance or ECB on the School Account Statement, known as the SAS, with its internal records, ensuring that any discrepancies are resolved and document any reason for a positive or negative balance. The Ending Cash Balance, or ECB, is when you compare the net cash received to all the net booked disbursements for the award year. Keep in mind that all funds and all disbursements are year-specific. Ultimately, you will need to resolve all discrepancies and reach your ending cash balance of \$0 when you complete reconciliation at the end of the award year.

So now that we have the basic definitions for reconciliation and closeout, let's look a little more closely at the process itself. In reconciling your Direct Loan activity, you will be using records from three different sources; your Financial Aid Office, your Business Office and COD. Now, you can see G5 is involved in the process, since it communicates directly with your Business Office for funding and COD for reporting funds. The information on G5 can be received through COD reports so that you can reconcile with your Business Office.

And let's see if the next slide we'll go over. I may need someone to do slides for me. Okay. So we have a variety of tools and resources to aid you in the reconciliation process. The School Account Statement, the SAS, comes to you from COD and gives you the data you need to reconcile your Direct Loan records. The COD website has your school's Direct Loan data that you have reported and also offers you a cash summary screen, among others, which are valuable tools in your reconciliation process.

Direct Loan Tools is software that can be used by any school. Now some think this is limited to EDExpress schools, but this is not the case. All schools, no matter what software they use, can use Direct Loan Tools to format the SAS, run the compare program and utilize the cash management tools.

Student files are used in the process when comparing COD data to your own files. The use of internal reports from both the Financial Aid Office and the Business Office is a necessity in completing for the reconciliation process.

COD Customer Service is another resource that schools have for assistance with their daily processing for reconciliation and/or closeout. Here is a few of the resources and tools that offer for schools. To ensure that schools meet regulatory reporting requirements, the COD School Relations Center proactively monitors the processing and reporting of disbursements for the Direct Loan Program. Customer service reps are assigned to each school. These CSRs are available to assist with any Direct Loan issues or questions that arise.

COD also sends out weekly monitoring e-mails that offer specific information on a school's unsubstantiated cash for Direct Loan and grants, Pell Grant potential overpayment process, POP, and a 30-day disbursement reporting. These e-mails can alert schools to potential processing issues.

Each school is also assigned to a COD reconciliation team representative that can assist them with their individual school reconciliation issues. Recon reps reach out proactively to assist schools in fixing errors that might prevent reconciling timely.

Let's now discuss the School Account Statement. A school reconciles its Direct Loan account by comparing the Ending Cash Balance on the School Account Statement with its internal records. Ensuring that any discrepancies are resolved, and documenting any reason for a positive or negative balance.

A separate School Account Statement or SAS is run for each open award year. The first weekend of each month, with an as of date that is the last day of the preceding month. The report is delivered the Monday after weekend production. When you change options on this screen, the changes will

apply to the next regularly scheduled run. The SAS is generated on the first weekend of the month with data through the end and the previous month as I just said. Since you'll be receiving a SAS for different award years, be sure that you are working with the appropriate year's data for each SAS comparison.

There are four primary components on the SAS. The cash summary is a high-level report that shows the Ending Cash Balance and totals for loan awards received by the COD System, and funds paid out through the G5 System. The cash summary can be used to quickly identify whether you have discrepancies with your funding data, or your COD records or both.

The disbursement summary by loan type provides intermediate level disbursement information. Many schools find this information useful and determining loan volumes disbursed by each loan type: sub, unsub, plus, or total.

The cash detail report, which can be compared to the Business Office's record of cash drawdown and refunds of cash through the G5 System. A loan detail can be compared to the Financial Aid Office's records for loan disbursements submitted to COD. It shows transactions including adjustments that your school reported to COD, at either the loan level or for each disbursement of the loan sorted by award ID.

The report format option allows the school to select the format of the SAS report that is delivered to its SAIG mailbox. The choices you have are fixed length, flat file; comma delimited, with or without headings; or pipe delimited, headings are not available. They include names of borrowers option allows the school to choose to have borrower names included in the detailed portion of the SAS.

In order to best serve your reconciliation needs, COD allows you to select options for your SAS using the COD website. These options are how the report is formatted. Whether to include names of borrowers and whether you receive monthly or year-to-date or both for your cash and loan detail. You will always receive both year-to-date and monthly data on your cash summary. You can also choose whether to receive the disbursement summary by loan type, or disbursement, or level of loan detail, loan or disbursement level. When you change your options on the screen the changes will apply to the next regularly scheduled run.

Please note that the options you select here will affect the nature of the data contained in the report. For example, if you choose both, for your report activity type, you will receive both a monthly SAS and year-to-date SAS. If you choose monthly, you will not receive loan level detail, as this is only available in year-to-date SAS report.

If you import the SAS into DL Tools, be sure you select fixed length as the report format option. You will also need to select report activity type of year-to-date if you wish to run a comparison of the SAS-to-school record using the DL Tool software. If you want to have more information on using DL Tools and the options needed for the SAS, you may want to attend the next available DL Tools webinar.

So now that we've set our options, let's take a look at the components of the SAS. This is an example of a formatted SAS year-to-date cash summary. This summary gives you an overall picture and ending cash balance. It tells you the overall picture of year-to-date cash, disbursement activity and includes your schools ending cash balance as reflected on the COD System.

This SAS is as you would see it viewed from Direct Loan Tools. Keeping in mind that this you may vary if you use Excel or another software to import your SAS. You should note the beginning balance is \$0 because it is year-to-date. Net drawdown payments or the cash received, or funds drawn through G5, minus refunds of cash funds returned through G5. Cash received and refunds of cash will only be included on a particular month SAS report, if they were received by the COD System prior to the end of the reported month.

Total net booked disbursements, which is booked disbursements minus booked adjustments, are totals of all transactions acknowledged as booked by the COD System, prior to the end of the month. The Ending Cash Balance indicates the cash balance at the end of the month for all the cash transactions and the booked disbursement transactions processed year-to-date.

Looking at your ECB minus total net unbooked disbursements will give you cash that is greater than accepted and posted disbursements. When reconciling the SAS cash summary with your schools internal cash records, you must remember to allow for any timing differences caused by transaction dates that fall close to the end of the month.

Now this cash summary is monthly. Notice that net drawdowns, payments and total net booked disbursements represent only the prior month's data. Also, we now see a beginning balance that was brought over from last month's SAS. You should note that in these examples of monthly and year-to-date cash summaries, ECB and cash greater than accepted and post to disbursements are the same. Again, the key is to reconcile on a monthly basis to be able to account for all of your cash and disbursements. Schools can choose to use either the year-to-date, or monthly cash summary, or both when reviewing the SAS whichever best meets their needs.

The disbursement summary by loan type gives intermediate level disbursement information broken out into the various loan types. Many schools find this information useful in determining loan volumes disbursed by each loan type; sub, unsub, plus, or the total.

If you receive this, because there is a section that can be turned off in the SAS options for this report, this section of the report is provided for both monthly and year-to-date. What you are looking at is the monthly screenshot only. So schools who review this information for either monthly, or year-to-date, or both whichever best meets your needs.

This section of the report is not necessarily used for reconciliation. It provides schools with loan volume data broken out by loan type. It can be used to monitor volume of loans that were disbursed at your institution for the both the reported months and year-to-date. This basically breaks out the disbursement and adjustment data reported in the cash summary section of the report into the different loan types.

On the cash detail, you will find a breakdown of the cash receipts, and refunds of cash processed in COD as received from G5. The payment control number for cash receipts or check number are included where applicable. Note that most refunds of cash are now done electronically in G5, and they will not have a check number displayed in this field.

During monthly reconciliation, cash detail information should generally be compared directly to the schools internal Business Office records, such as bank statements and cancelled checks. Cash reports may be run from the school's financial aid system, but the school should use its Business Office record as the final authority.

The default option for the School Account Statement includes a monthly disbursement detail, which lists all of your loan transactions including adjustments. Now if you wish, you can request this information on a year-to-date basis, but you should be aware that this will significantly increase the size of the report as the award year progresses. Remember that your SAS options can be changed on the COD website, as we talked about earlier. Any changes will take affect within next scheduled run of the SAS.

The monthly loan detail includes all actual disbursement information and adjustments that have been accepted by COD during that month, based on the date the individual transaction books at COD, or the disbursement booked date. Monthly loan detail will include all year-to-date actual unbooked disbursement or adjustment information that has been accepted by COD through the end of the reported month. Therefore, actual disbursement adjustments that are accepted on COD with disbursement dates that fall after the end of the reported month up to seven days in the future will show on the report as unbooked. Future dated disbursements and adjustments cannot book until the disbursement date has occurred. If the school does not report future dated disbursement and adjustment data on a regular basis, there will likely be no unbooked records in the schools loan detail section of the SAS.

As mentioned earlier, the COD website offers you the tools that you need to help with you reconciling your Direct Loan records. One of these tools on the COD site is the cash summary screen. Whereas the cash summary on the SAS is as of the end of the month -- September's SAS is as of the end of August, for example -- the cash summary screen is current, as if the last file processed between COD and G5, or COD and the school. So keep in mind that the data you receive on the SAS, may not match what you see on the COD cash summary screen.

This screen does provide a convenient place to view updated drawdowns, disbursements, and ending cash balance information throughout the month, which may be helpful as you monitor resolution of issues identified in your monthly reconciliation process. The cash summary screen includes data from the entire award year.

Now that you have the tools and resources, understand when reconciliation needs to happen and have seen what the SAS looks like, let's look at the process itself. Once you receive your SAS, you need to initially compare the cash summary to your internal school records. If they match and you can explain any reasons for an ending cash balance, you're done. If they don't, you will need to look further using the cash detail and loan detail portions of the SAS. If there are any timing issues

involved in the monthly reconciliation, be sure you document them. If there are issues you cannot seem to resolve, remember that COD Customer Service is always available to assist you.

And at this point, I'm going to pass the session over to Margaret.

Margaret Day: Thank you, Virginia. I am Margaret Day from the Denver office. Now that Virginia has explained how the SAS can work for you, let's go through the first step of reconciliation -- compare a SAS cash summary to school records.

To start a comparison, we will use Direct Loan Tools to run a cash summary from our school record. As you can see, we have the total of our cash receipt minus the refunds of cash. We have a total of \$9,847 in booked and unbooked disbursements, which leaves us with an ending cash balance of \$1,152. See that?

In this report, booked and unbooked actual disbursements are combined into one figure. Additional disbursement detail reports may need to be run from a school's financial aid system to find the totals for booked versus unbooked disbursements, in order to compare these figures to the SAS. In this report, since these figures are combined, the ending cash balance is equivalent to the School Account Statement. Cash greater than net accepted and posted disbursements, as opposed to the SAS Ending Cash Balance. We will illustrate this on the next slide, as we break out the total.

Let's do a comparison of our school records to the SAS cash summary. You'll notice that the data pulled from the school's financial aid system goes in the first boxed column. You see it there. The SAS data goes to the second column, and then we calculate the difference. In this example, it's done in Excel, but a school may have another way for comparing the data.

We have difference in refunds of cash, booked adjustments, and unbooked adjustments. Remember, that in reconciliation, we need to know why we have these discrepancies, and be able to document them. We know that we'll have to drill down further into the SAS report to find why these discrepancies are occurring.

[Now] we'll want to look at our cash detail discrepancies. Some of the common causes that we're going to watch for include timing. As we discussed previously, the SAS is a snapshot of the data. Your school records may include data transmitted to COD or receipts from COD after the SAS was run. Cash transactions in the wrong year or split between years can occur because of multiple years being processed by your school at the same time. Cash transactions can end up posted to the wrong year, or even split between two years. If drawdown requests or refunds of cash are made in G5 under the wrong year, or are combined into a single request, the reconciliation process will assist with identifying these issues, so they can be corrected through the G5 System.

Funds set in as a cash refund or a refund of cash, I think it's the way it's phrased that these have should have been sent as a payment or these back another cause of cash discrepancies sent in as a wrong thing. If funds are sent in as a refund instead of a payment to the school's loan or vice versa, then a discrepancy will appear and must be corrected. Also, funds recycled for disbursement in a different year can also cause a discrepancy. Funds may have been received and then disbursed to a borrower in one award year, and then a refund is made. In certain cases, these funds may be used

for another eligible borrower in the same award year. However, if recycled or used for borrower in a different award year, then this will cause a discrepancy in the ending cash balance within that original award year. Remember Direct Loan funds are year specific, and must be disbursed in the year for which the original funds are requested.

To help identify any detailed level of discrepancies in cash receipts or drawdowns or refunds of cash, you may utilize various tools the Department offers as well as your own school records. Using the compare program in Direct Loan Tools is a good way to start your process. Remember that you don't have to be using the EDEXpress in order to utilize Direct Loan Tools. If you use mainframe or custom software, you may also have your own comparison capability. Check with you programmers or software vendor to see which comparison tool may work best for your school.

The SAS cash detail section of the report will allow you to print and review cash detailed transactions reflected on the COD System for comparison to your school records. The Cash Management Tool and Direct Loan Tools is also available to all schools to track your cash receipts and refunds of cash.

The COD website, as mentioned before, is useful in comparing current data to your school records. You can view up-to-date cash information on the refunds of cash and cash activity screens. Utilize your Business Office records to research any discrepancy items that you may want to include -- cash report, bank statements, as well as cancelled checks.

Here, we've run a report showing matched and unmatched records at the cash detail level. Schools may have access to a report that looks like this particular one or it may look different. The point is schools need some way to compare their cash detailed records to the Department's records on the SAS.

On this report, we see that there is one unmatched record, a refund of cash in the amount of \$725. When we previously compared the cash summary, we discovered the \$725 difference. Now we have narrowed it down to the individual record causing the discrepancy. And we know that the school has to refund, but COD, as reported on the SAS, does not have to refund.

Now we're going to look at our internal Financial Aid Office report, and we verify the refund of cash transactions on April 29, 2010 for \$725. At this point, we need to do more research to figure out what the problem is with this cash transaction. We know that it's in our records; now we need to determine if COD has it in their system.

Looking at the refunds of cash information screen on COD, we see that the \$725 refunded cash hit COD on May 1, 2010. Please note that this refund of cash was returned by the school electronically via G5, the Department's preferred refund method. We know this because there is no check number in that second column.

We can also see the refund of cash on the cash activity screen. However, this screen displays all types of cash activity, whereas the previous screen only shows refunds of cash. Schools can choose either tool. Please note that this screen capture is from the COD production database. And it does

not reflect the numbers we're using for our case study in this presentation. So it's okay. It's just a screenshot, and the information doesn't quite follow our case study.

On this screen, we have returned to the summary level comparison. Now we're going to document the reason for the difference between the school system and COD as reported on the April SAS. We know why we have the discrepancy, but we will need to close the loop on the May SAS, which will have a refund of cash of \$725 that will not be present in the school system for the month of May.

Here is the documented discrepancy of \$725 expressed as an action item list entry. An action item list is a common business practice utilized to facilitate reconciliation. We will discuss this tool at the end of the case study.

And now Virginia will take you into the disbursement detail comparison.

Virginia Hagins: Thank you, Margaret. So let's turn our attention to that comparison of disbursements. There are several common causes for disbursement discrepancies. Unsent or unacknowledged disbursement batches can occur when a school has a disbursement in its records and has either not set the disbursement to COD or has sent it but has not received an accepted acknowledgement. If there are rejected disbursements, the school has the disbursements on its system, but COD will not have it.

One of the more common causes that gets overlooked are disbursements or adjustments that get recorded in the Business Office, but have not yet made to the financial aid system. For example, the Business Office credit for student's account, but the disbursement roster they normally send to the Financial Aid Office has not been posted in the financial aid system yet. So the Business Office will have the information, but the Financial Aid Office and COD do not. If you were to compare COD to the Financial Aid Office system, it would match, but the school would not match internally.

There can be unbooked disbursement records due to future dated disbursements. Schools can send in their disbursements up to seven days in advance of the actual disbursement date and COD will accept them. However, they will show up as unbooked disbursements until the actual disbursement date is reached. For example, the school can send in disbursement records for May 4th on April 29th. These records will show up on the April SAS as accepted unbooked disbursement records. However, if the SAS runs on May 5th, the disbursements can show as booked on the school system when it reconciles for the month of April.

The last point is school data loss, which is rare, but does happen. If a school sees a disbursement in COD that is accepted and booked that doesn't appear on its system, it's either a case of student data loss, school data loss or they may have entered the record via the COD website directly and not imported the response. In either case, the school will want to ensure that data is properly updated in their system. Your school may need to input a response or request a Direct Loan rebuild file through the COD website. For more information on this process, you will want to refer to the COD technical reference or contact COD school relations with any questions that you might have.

One of the most useful tools to identify disbursement detail discrepancies is a reconciliation comparison program that allows the school to compare its internal records to the records reflected on the School Account Statement -- remember that's your SAS. The Department offers the Direct Loan Tools program, but many private software vendors offer their own version as well. Another tool you can use are disbursement reports from both the Financial Aid Office and the Business Office that contain detailed disbursement and adjustment information.

Schools can look up detailed disbursement information on the COD website on the award and disbursement detail screen to look at a current picture of discrepant disbursements. Schools can also pull up their SAS disbursement detail, because sometimes comparison reports do not show all the detail contained in the SAS reports. Finally, schools can pull up account ledgers, files, statement of accounts, whatever method they use to record their disbursement activity on the Business Office side.

Now what you see here is an example of a disbursement detailed comparison report. This is how it would look if you did this in Direct Loan Tools. Specifically this report is looking at all booked records that are matched between the schools system and the SAS. The reason you might want to look at matched records is to verify that everything you expect to be on the report is actually there.

The next report that you see shows all booked records that are unmatched. This report shows records that do not match between the school records and the SAS, which usually accounts for the majority of reconciliation issues. In this particular example, there are two disbursements that appear on the SAS that are not on the schools system. Note that the sequence number where it says SEQ# that are shown for these records are 66 and 67. The sequence numbers are specifically reserved for the use of COD when transactions are entered via the web. Sequence number 66 through 90 are reserved for this purpose. Now, either your school did not receive or was unable to import the web response or the records just were not correctly updated in your financial aid system.

The third page of the report shows records that are unbooked, but match between the school system and the SAS. In this example, both the school and the COD have these actual disbursements, but they are unbooked on both systems. This particular comparison does not include disbursement dates, but you will report May. In this case, we'll have to look further to determine why we have unbooked loans that are in the school system and at COD.

The final page of this particular report shows schools records that are not on the SAS as well as mismatched SAS unbooked records. In this example, we have one disbursement record in the school system in the amount of \$862 that does not have a matching record at COD.

So now we have to do some research and find out why the school has \$862 for Jesse James, but COD does not. One report we might want to run is a Financial Aid Office Disbursement report. Again, we're working out of DL Tools for these screens. This is an example of an actual disbursement list that provides the status of each disbursement transaction. You can see that the first disbursement in the amount of \$862 is in a status of B, meaning it's batched. The school batched it up, but it hasn't received an acknowledgement from COD. The school has either not sent it to COD or it has sent the record to COD and hasn't imported the acknowledgement back into its

system. The adjustment transaction has rejected, because the first record has not yet been accepted by COD. The adjustment transaction in this case would be represented by a Q.

So now we move on to another part of the report. We have accepted disbursement transactions for Charlotte York in the amount of \$1,632 that are showing as unbooked in our system. We can see from the disbursement date that the disbursements are scheduled for the next month, May 2, 2011. These records, although accepted by COD have not yet booked because the actual date of disbursement is in the future. For another future dated unbooked loan, which when added with the two on the previous pages of the report add up to \$3,264 in accepted disbursements.

And this brings us back to our summary level spreadsheet. We can see where we have the unbooked disbursements on the SAS versus what we have on the school system, and the difference is \$862. If you recall that the \$862 disbursement for Jesse James is unbooked on the school system, but COD has not received it yet, accounting for that unbooked difference. In this case, the school needs to follow up on the status of that batch.

In addition, there is \$1,250 in adjustments made via the COD website that haven't been entered in the school's database, because the school has not imported the web response or isn't set up to receive web responses. And in this case, the school needs to import the web response so that its system reflects the records that are at COD.

Now we have to document our discrepancies and add any required actions to our Action Item list. We list our two discrepancies in the amount of \$1,250 and \$862 and add to our Action Item list that we need to record our two adjustments totaling \$1,250, transmit the batch and receive the response for Jesse James] \$862 disbursement and document the \$3,264 in future unbooked loans in the month of May when they book.

And at this point, I am going to pass the last section back to Margaret.

Margaret Day: Thank you, Virginia. At this point, we have identified all of the discrepancies at the summary level, but we still have one more task to complete, which is to document our reasons for our remaining ending cash balance.

If you look at our sample spreadsheet provided here, the School Account Statement ending cash balance is \$7,253. Keep in mind that a portion of this SAS ending cash balance already takes into account the two booked adjustments of \$1,250 that we made via the web. Therefore, we do not need to include that portion as an unresolved issue requiring explanation. We've already identified in looking at the differences in our cash detail that we have a refund of cash where the debit was submitted at the end of the month and it didn't process in COD until the beginning of the following month.

We can see that we've got the \$725 resulting from timing differences and the \$3,264 from future-dated unbooked disbursements. These will book once the date of the disbursement is reached. And then there is the \$862 for Jesse James, where we need to get the disbursement information into COD. This leaves us with a remaining balance of \$2,402 that we will want to explain so that we know the intended use or outstanding commitment for those funds.

One way we can find that information is to perform an internal reconciliation between the Business Office and the Financial Aid Office records. To do this, we want to develop some procedures and the schedule for this internal reconciliation and assign responsibility.

As a part of best practices, many schools will not wait until the end of the month to perform an internal reconciliation. They prefer to do this on an ongoing basis. For instance, if the Business Office generates disbursement rosters and sends them to the Financial Aid Office for submission entry into the system and submission to the Department, they will reconcile those rosters every time they send one, meaning the Financial Aid Office enters the data, checks it off, send it back to the Business Office, and the Business Office then verifies the information. The school can also choose to compare between their two systems and their two accounts based on their overall cash and disbursement totals, just like we did between the school's Financial Aid Office and the Department and then troubleshoot any discrepancies that are found.

Here we can see an example of a possible Business Office report a school might run to show their total drawdown and refunds of cash or returns for the award year, which then comes up with a net cash amount the school has received. After that, you can see any disbursements and disbursement adjustments, which may be referred to as refunds as seen here. These may result in a total disbursed amount. The net cash amount and total disbursed amount then balances one against another for the remaining cash at school amount.

In this case, the cash at school comes out to \$0, which is what every Business Office want going to want to see at any given time. The school has disbursed all of the funds it has received from the Department. Although there may be timing differences where a school is not at \$0 at any given time, ultimately all schools must disbursed all Direct Loan funds received within that timeframe specified in the cash management regulations.

Here we are using our spreadsheet concept to balance those summary members against what is in the school's financial aid system. In this case, you can see that there is a discrepancy between the ending cash balance that's calculated by the Business Office and the ending cash balance calculated by the Financial Aid Office, with the resulting difference of negative \$1,152. Please remember that the Ending Cash Balance of negative \$1,152 is a net resulting from the difference of \$2,402 in disbursement and the downward adjustment of \$1,250. With this information, we can now look into what is causing the discrepancy by doing a separate analysis of disbursements and adjustments.

Here we have an example of a possible Business Office disbursement detail report that spells out exactly how much was disbursed on each award from the Business Office records as well as how much was refunded or adjusted. At the bottom of the report, you can see the breakout of these total figures with an overall disbursement total of \$12,249 and a refund or downward adjustment of \$1,250.

Continuing on, the school determined that a comparison was needed between the Business Office records and the Financial Aid Office records, which resulted in the example report that you see here. As you can see, the school combined the preceding report consisting of the Business Office records on net disbursement amounts along with the Financial Aid Office records on net

disbursements so a comparison can be made between the two. In this case, the school is able to track down and identify some differences. Since all of these differences occurred on the same date of 5/5/2010, the school was able to consolidate the discrepancies to a disbursement roster that didn't get posted to the financial aid system and sent to COD.

When comparing the disbursement amount of \$2,402 not accounted for in the Financial Aid Office and the COD against the downward adjustment or refund amount of \$1,250, as discussed on our prior slide and seen here as well, we are left with a net total of differences in the amount of \$1,152 as seen at the bottom of the spreadsheet.

Now we've reached the point where we've explained all of our differences between the school records and the school account balance. We've also explained the reasons for the ending cash balance. Now that we've gone through the reconciliation process, the next thing to consider are how this are we going to document our findings.

Part of our documentation is the spreadsheet that we've used in our example, because it shows where our differences can be found. The other part of our documentation is a listing of the reasons behind the discrepancies and any action items that are needed to be completed to ensure their resolution before next month's report. The listing of reasons or documentation can be something you can pull right into your reconciliation spreadsheet as shown here, or you may want to keep it as a separate document, whatever works best for your school. What's important to note is that the Department is not concerned with the format that you use for documenting reconciliations, just the requirement that it gets done.

For your convenience, we've pulled the documentation from the preceding spreadsheet and provided it here and in the next slide so that you can see explanations for the various discrepancies as listed on the spreadsheet. In this example, you can see a recap the school used for the explanations of the differences and/or the reasons for ending cash balances.

Also found on our spreadsheet is the recap of the explanations behind the differences or reasons for the unbooked disbursements as well as the cash amount that is greater than the net accepted and posted disbursements. Again, while we will not be going into these as they are a recap of what's been covered earlier, we're providing them here for you to see how the school approached their documentation.

Also found in our spreadsheet is a recap of the explanations behind the differences for the unbooked disbursement as well as the cash amount that is greater than the net Accepted and Posted disbursement. Again, while we were not going through these as they are a recap of what is being covered earlier, we are providing them here for you so that you can see how the school approached their documentation.

Now that we've documented our reasons for any discrepancies, we will want to create an Action Item list such as the example shown here, so that we can follow up on any issues that will allow us to resolve any discrepancies. Many schools are already accustomed to using an Action Item list to ensure follow-up has been carried out.

At this point, we've gone through the reconciliation process. We've talked about explaining your ending cash balance and we've talked about the required documentation component, but how do you really know when you're done with your reconciliation process?

You know you're done when you've identified all of your discrepancies and have resolved anything that is outstanding. Also when you've identified any time issues allowing you to track them for reconciliation for the next month's SAS. For instance, the refund of cash transaction we had in the example earlier that crossed over the end of the month; you should see that transaction appear in next month's SAS so you have the reverse discrepancy of what you saw in this month, and you can automatically check it off because you know it finishes the cycle. You also need to identify any reasons for your ending cash balance and have documented them along with all of your monthly reconciliation efforts for future reference. The method of documentation is up to you and should be clearly outlined in your school's Financial Aid Office and Business Office procedures.

We've provided some additional information for you in the next couple of slides for reference for some of the other tools that are available to assist you with your reconciliation.

While we touched on these a little at the beginning of the session, we thought it was important to provide you with a slightly more detailed list of available reports and tools. You'll note that under the pending disbursement list and the funded disbursement list, we've provided some alternative reports that can be pulled EDEExpress system or something similar from your own Financial Aid system. We've provided these as examples to emphasize the fact that you're not required to use COD initiated reports. You may find that your own reports can either supplement or replace the information provided by COD.

For example, although only Pushed Cash schools receive the funded disbursement listing from COD, most schools should be able to pull a listing of actual disbursements from your system. Otherwise -- I mean likewise, although all schools can receive the pending disbursement listing from COD, you should be able to print a list of anticipated and pending disbursements from your own system without waiting for the COD-generated report. You may want to check with your system programmers or software vendors to see what types of reports they can run to stay on top of your daily process. If you're looking for more information on how you can use some of these resources, we recommend that you attend our session on Direct Loan Reports, which is being presented tomorrow as a part of this series.

Also available to assist you is some contact information we've provided here should you have questions pertaining to COD. And this is for the COD Resources and Tools.

This concludes our session on Direct Loan Reconciliation. What we are going to do now is I'm going to put up a -- well, I was -- I'll put up a survey in order that you could tell us a little bit about how this training went. And also, there are spaces for you to tell us what other training that you would like to see. We really do look at these surveys and we do try to improve the quality of our training and provide for you the topic that you would like to see.

As you are filling out this survey, we are going to ask our Question Manager, the wonderful Chris - - I'm sorry -- Chuck Hirman to ask or tell us if there are any questions that he would like to bring to our attention.

Take it away, Chuck.

Chuck Hirman: Okay, thank you, Margaret. This is Chuck Hirman, and we had three questions which seemed to be recurring throughout the session. So let me just give you those answers so you all have that.

The first one is where is DL Tools available? It is optional software. It's free of charge and it's available at fsadownload.ed.gov.

The second question asked about what SAS option to select if you're using DL Tools. You'll want to select the year-to-date SAS and you make that selection in COD. Now you can ask for both, but just remember that they both come out in the same message class. And so sometimes it's hard to know which is which in your TG mailbox. So we recommend if you're using DL Tools, just select year-to-date. It makes it simpler.

Then we had a lot of questions just asking for a refresher on what a booked loan or disbursement is. And a booked loan or disbursement means the loan record has been accepted at COD, there is an MPN at COD, and the actual disbursement record was sent and accepted at COD.

Once those three elements are at COD, it's booked. And of course the last remaining thing is if it's a future-dated disbursement, when the disbursement date comes around, it automatically books. But at that point, there is nothing you have to do. So just those three. That's all I have.

Thank you, Margaret.

Margaret Day: Thank you, Chuck. Chuck is from Seattle.

This concludes the auditory portion of our training. We are going to leave this up, the slide portion up, for just a few more minutes so that you may complete your survey.

If you've not had a chance to download the slides from this presentation, remember the Download Slide button is down there on the bottom of your screen. Please feel free to click on that. We will leave it up for just a moment or two so that you'll have time to download.

If there are any additional questions for Chuck, please click on the Question & Answer button on the left there and go ahead and give him that question right away so that we can conclude it.

We thank you so much for your attendance. We know this is a long session and we know that it's pretty detailed. So we know that you must be very attentive, and we appreciate the time and your energy for taking this class.

Thank you very, very much. This concludes the auditory portion of this training.