

Direct Loan Training Suite

Direct Loan Reconciliation and Program Year Closeout: Start to Finish April 24, 2012

Coordinator: Welcome and thank you all for holding. I'd like to inform parties that your lines have been placed on a listen only mode. If you need operator assistance at any time, press star then 0.

Today's conference is also being recorded. If anyone has any objections, you may disconnect. If anyone needs operator assistance, please press star then 0.

And I'll now turn the call over to your host, Anita Olivencia. You may begin.

Anita Olivencia: Thank you very much. Hello everyone. I would like to welcome you all to our live training session. And as you see, today's session is about direct loan reconciliation and program year close out, start to finish.

Today's Webinar is an overview of the monthly direct loan reconciliation and annual program year close out process. We will discuss how your daily processing is related to reconciliation. As well as talk about some of the matters that you need to take into consideration when reconciling.

And lastly, we'll introduce you to program year close out, also known simply as close out. Program year close out is something that you will complete annually. And for many schools, this year will be their first closing out a direct loan award year.

Your instructors for today are Craig Rorie, who is a Training Officer in the Philadelphia Regional Office and myself. I'm Anita Olivencia. And I'm also a Training Officer in the Boston Regional Office.

Because of the large audience today, it's not possible to allow you to ask questions out loud. However, you may submit your questions electronically. And one of our question managers will respond to your question personally.

So to submit a question, what you need to do is your screen, you click on the Q and A in the menu bar. And then click on the top blank field. Next you type your question. And then you finally, you click on the ask icon.

And our question managers for today are (Chuck Hirman). And he's out of the Seattle, Washington Office. And we also have (Tracey Lardnois) from Denver, Colorado.

If time permits, we will share some of the questions and answers that may be of general interest to all of you.

So we have provided handouts for you today. And if you have not done so already, you may download the handouts by clicking on the handout button on the right end of the menu bar. And when the handout box opens, you click on the file to download. And then click on down - on the download button.

Also, if you would like to view the Webinar in full screen, if you have a very small monitor, you can press the F5 key. And it will expand the screen. And so you won't see all the gray areas. And if you want to return to the normal view, you just simply press the F5 key again.

So now that we've gotten the logistics out of the way, let's start with the training. Here we have the agenda. And we're going to essentially be talking about reconciliation and program year close out, start to finish.

And to help you visualize this process, we use an analogy of this being a race. Our race starts with the daily processing of direct loans. And your monthly reconciliation may be viewed in terms of individual legs or segments of the race.

And then finally, close out is the finish line. And when you close out, you cross the finish line of the award year. And the best part is that everybody who reconciles and completes close out wins the race. But instead of getting a gold medal, we issue you what we call a close out letter. And we'll discuss that in more detail later on.

And now we're going to talk about daily processing. And reconciliation is - well your daily processing, like any race you have a starting point. And it's crucial to winning that race.

So daily processing is where it all begins. You need to have sound, thorough, efficient processing where data is sent in a timely and consistent manner. And where processes and procedures, like everything else in financial aid, are defined and followed.

And the issues that you encounter are resolved as they arise. And all of this puts you on good footing towards a timely and easy straightforward reconciliation of direct loans.

So let's move on to the next slide. Reconciliation, you should be on Slide 4 if you have the handouts. Reconciliation is basically a comparison of your

school data with the departments. Where you are responsible for resolving or explaining, so to speak, any differences.

A key to this is being able to know where to look for the information. And for some of you that information might be different because you all have different systems. You need to be able to access it. And you need to be able to easily determine what you did with your information and data. And when you did it.

You want to begin what you started when processing and to have procedures and processes in place to make sure that what was begun was finished. And that all the data that should have been sent and the requirements should have been met have been sent and met.

So you want to map out your direct loan process and procedures so that you know what should be done and when it should occur in a logical and consistent manner.

You should document your processes and procedures. And they should not only be followed, but available as a reference for what and who should be doing what and when.

You always want to monitor your direct loan processes to make sure your processing efficiently. And make sure that records are being sent to the common origination and disbursement system.

Obviously sending records is not enough. You need to ensure that the records you send are being accepted. Which of course means that you need to resolve and follow up any records that reject. And how you process or resolve these rejects should be part of you procedures.

If possible, you want to manage any issues that arise and process records within the same month. That's the ideal. In starting and completing tasks, processing in the month in which it starts, it makes it for a smoother data flow. And it's easier for reconciliation. Or it cuts down on issues that may result of timing issues.

And you reconcile direct loan basically against a snapshot of data provided by a department at the end of the month. And any data issues you resolve within that month essentially don't carry over. So they won't keep repeating themselves in the next month. Or they're missed during that snapshot in time because you took care of it. So that will make for an easier reconciliation process for you.

Now we're on Slide 5. And as we always tell you in the financial aid world, documentation is crucial. And communication as well. It is key to successful processing and successful reconciliation.

Everybody involved in direct loan processing at your school should communicate regularly and freely. And everybody should know what they're supposed to do and their piece of the process, as well as they need to know when they need to do it.

The financial aid office and the business office need to communicate regarding which loans are eligible for disbursements so that fund can be drawn and disbursed.

The days of disbursements need to be communicated between the two. If issues arise that affects processing of direct loan operations, whether it be a technical computer issue or some sort of delay or a matter that affects

student's eligibility, which we know typically happens. All staff and offices involved who are knowledgeable about the matter should communicate that.

The idea is for everybody involved in your direct loan process to communicate with one another to ensure that everything that needs to be done to award and reconcile direct loan is completed, and completed according to the program requirements.

As in all things, even with direct loans issues or matters arise when you may need some outside assistance. Or you may not be able to quite determine what the problem is yourself.

And all schools have a COD customer service rep, or CSR as we like to call them. They - the COD customer service or COD also has specially trained reconciliation team members that can help you with reconciliation close out or any questions that you may have.

Of course the more detailed information you can give them as to what the issues are at your school, the better they can help you. The COD customer service is a very valuable resource to assist your school in the administration and processing of direct loans. And you should avail yourself of these many services that they provide.

Other sources that you should utilize are the various FSA help desks, such as CPS and NFLDS. And depending on the concern that you may have. They are - there are a lot of reports available to assist you in the day to day processing and reconciliation, as well as training like the one that you are attending now.

And speaking of training, FSA also has two modules available to assist you with reconciliation and close out. We have one called the Direct Loan

Reports, which provides information on reports available to help you in the management and administration of direct loans.

And we also have another one which is an interactive reconciliation training. Which is a logical follow up on today's Webinar. The interactive reconciliation training is different from this one in that it provides more specific on how to information on the reconciliation process. And it uses a participant's guide as a reference throughout the training which you could probably use for your own office as well.

In terms of daily processing, it's important to track trends such as repetitive rejects and edits. For example, an example of repetitive rejects might be that, depending on what kind of system you have, you may have a lot of rejects because you're submitting adjustments in before your actual disbursements are being reported.

So obviously COD system is looking for your first disbursement first. And then if you have adjustments to that disbursement, then it, you know, sequential order of things. So if you send an adjustment before a disbursement is sent, then it's going to throw things off and you're going to have rejects.

So is that something that is systematic? Is it a system issue? So look out for those kinds of things. You also have late reporting of disbursements. What's happening at your school that disbursements are not being reported according to the cash management rules, which you have 30 days from the date it hits the student's account.

We also have posting drawdowns adjustments. And not returning refunds of cash in a timely manner. And one that happens a lot in between the end and the beginning of an award year is drawing down in the wrong award year.

So having tracking trends basically helps you to assess your procedures and determine where changes need to be made in order to process more efficiently. And it will assist you in correcting errors or shortcomings in your process.

And daily processing is where it all begins with reconciliation and close out. And the more efficient, accurate, transparent your processing and procedures are, the easier it will be for you to compare your data to the departments so that you can determine the differences and resolve them if needed.

And getting back to our race theme, if you are strong out in the starting block. You have sound process and procedures and practices, you will be well on your way to winning the race, as your records and data will be up to date and processed at COD. And your systems and ours will most likely match.

So so far we've started strong out of the blocks because of our daily processing. Hopefully you have a system in place. You have your standard, you know, processes and procedures. And you've detailed how and who will do things.

And so now you're running the race that we call reconciliation. Reconciliation and eventually close out actually starts with the school's processing cycle. With everything schools do during the month like creating and sending records, resolving rejects, following up on issues.

And it's all part of the reconciliation process. And the monthly reconciliation should be just another check of the records. So in general, reconciliation is the process in which records from one system, whether you use Datatel, you

know, Banner, PeopleSoft or whatever systems you use are compared to record from another, essentially the Department of Education's.

And any discrepancies that you find are resolved and documented. It's much like balancing your checkbook, which is in a sense a reconciliation between you and your bank.

You review your bank statement and you compare it to your personal records during that month. And you identify anything that might be wrong in discrepancies. And you work with your bank as needed to resolve them. You also document any outstanding commitments for your remaining funds.

So let's talk about what direct loan reconciliation is and why it is so important. So I'm on Slide 8. And the title is Direct Loan Reconciliation. And it is a process in which direct loan cash balance recorded on Department of Education's system is reviewed and compared with the school's internal records on a monthly basis.

The schools must identify and resolve discrepancies and document reasons for their ending cash balance within their records. And that defining the reasons for your ending cash balance is similar to identifying any outstanding commitments for funds from your personal finances.

So you need to know where your funds have been spent or where they're going to be spent according to our own cash management regulations. And as a direct loan participant, you are required to reconcile monthly.

So let's look a little more closely at the reconciliation process. Here we have a visual representation of the different sources of records. And so in reconciling

your direct loan activity, you'll be using records essentially from three different sources.

It could be more than that but, you know, in a nutshell it's basically three. It's your financial aid office. And I understand some schools you may be using a combination system, maybe with an express and a mainframe or an express with something else. So we look at it as one.

Then you have your business office and the COD. In reconciling monthly, one of the first things you want to do is reconcile your financial aid office with the business office records.

You cannot effectively reconcile with COD if you don't have a clear and actual picture of what's going on at your school. You want to make sure that your internal records agree. And if they don't that you identify and resolve them as you see them. And once that is accomplished, you're ready to reconcile with COD.

As you can see from this slide, G5 is involved in the process. G5 communicates directly with your business office for the funding part. And COD for reporting funds.

The information on G5 can be received through COD reports, which we'll show you later on, to reconcile with your business office. G5 also has reports that are available. There most likely be a business office there with access just in the reconciliation process.

As with any competitive sport, winning the race, you have to prepare for it. You just can't show up and win. So with reconciliation, you just can't start reconciliation either that way. You have to prepare for it.

And to do that, you define responsibilities. You document procedures. And you prepare for the end of the month. And we'll talk about these in detail on the next slide.

I'm on Slide 11. So the first bullet from the previous slide was saying we need to define your responsibilities. So your school needs to decide who will do such things as pulling in the school account statement, which you'll receive every month, just like a bank checking account statement.

The SAS, as we commonly refer to it is a monthly report sent from COD to your school. And it's the department's official record of your data. Your school also needs to determine who needs copies.

So for example the business office will most likely need the summary and cash detail information, and it as all the information about their drawdowns and returns of cash. So they can reconcile that against their cash records.

The second bullet, comparing cash and disbursement data on SAS. Who will do this? The financial aid director, a staff person, somebody from the business office or is it going to be a combination of both?

We highly recommend the business office and the financial office work together to compare data both internally and with the SAS. You need to compare both the cash and disbursement information to determine why you have any cash balance if there is one.

On the third bullet we have another decision to make which is what report or tools can you use? And who will use them? The direct loan reports Webinar can assist you with this. It talks about all the different reports available to you.

And the COD Technical Reference is also a very valuable resource that has a section that explains each report provided by COD.

On the next bullet we have assigning access to COD and G5. So who has or needs access to G5 and COD in order to look at data or obtain reports? In these systems, they are varying levels of access.

People can have read only access where as others may need access to enter information. We encourage you to give someone from your business office at least read access only to COD because there are many screens that contain cash balance information that can help a school reconcile. And they can monitor the cash information as well.

What about tracking and resolving discrepancies? Who is going to do this? And how will you do it? Will it be done on Excel spreadsheets or as documented in that way? Or are you going to use some other database application, or your own private vendor software? Or is it going to be hand written? How are you going to do that? So that's something else that you need to decide.

Next is documenting the monthly reconciliation. Who will be responsible for documenting your reconciliation process each month? Is it going to be one person in the office or a combination of two people from different offices? You need to document your own efforts.

And where will this documentation be stored? Ideally, I mean I used to work for a school many years ago and I did direct loans. And I was person in charge of doing reconciliation. And so we had a binder where saw all the documentation. And we printed the school account statement. And we documented all discrepancies. So they were all saved in one binder.

And it's good practice to have it in one place so that you can show it to an auditor or a program reviewer if you're ever asked for that documentation. And I'm sure you will.

How about meetings to access discrepancies, processes and trends? You need to determine when to meet or discuss any discrepancies that you find between the financial aid office and business office and how to resolve them.

As well as discrepancies that you may find between the school and COD. Again it's very important that you see - that if you see discrepancies that seem to repeat from month to month that you discuss these and develop an action plan to correct any ongoing problems.

And sometimes it might involve an IT person because if there's an error that keeps repeating, maybe because of a system issue. And it allows, the system is allowing something to happen, then maybe an IT person needs to get involved. So you need to see these trends and take corrective action.

So in essence, you document the issue and continue on with your reconciliation process. And also write an action plan. So if an auditor or a program reviewer questions what - why is this happening, that they can see that you took corrective action.

And schools that regularly do this have a much easier time with reconciliation and close out.

The next step for preparing for reconciliation that is of crucial importance is of course to document your reconciliation, reconciliation and any findings that you may have.

It is also important that you document your reconciliation and close out procedures. You want to have them documented so in case of a staff turnover or some other reason, somebody can come in and see what needs to be done to reconcile.

You also want not only to be able to show that you did reconcile and that you documented your results, but you also document how you went about obtaining these results. So documenting your procedures accomplishes this.

And lastly, you want to re-visit your reconciliation process to see what works and what doesn't. Just like you would do for your policy and procedures at your schools in the financial aid office. This is something you want to incorporate and not when you're reviewing your policies and procedures.

So when you're reviewing this, what can be changed or tweaked at your school to make this better for you and smoother and them more efficient?

The last step for preparing your school for reconciliation is to prepare for the end of the month. And the receipt of your school account statement because you want to make sure that your processing and accounts are up to date.

First and foremost, communication between the two offices, the business office and financial aid is essential. These offices should communicate and make sure that any loans that need disbursements or that have been disbursed and recorded have been recorded and submitted.

Also, you need to talk about your monthly cash transactions. For example, the refunds of cash and downward adjustments in the school's financial aid system reflect the same numbers in the financial aid office or the business office.

So you may want to run reports to see that they are both in synch. And if there are any discrepancies, maybe you should probably run this every two weeks or however, you know, you run disbursements you should have some communication like that.

And someone needs to be responsible for resolving rejected records so that records can be accepted and processed in order to book any unbooked loans.

And I know we talk about this later on in a different slide, but to book a loan essentially three things need to happen. You have to have an origination record that's accepted, a promissory note that has been linked and accepted at COD and a first disbursement that has been accepted.

So when those three conditions have been met, that's what we call booking a loan. And so if there is anything that is out of synch in that process then that loan is, you know, not booked. So you need to assign someone who is responsible for resolving those rejected records so that these loans can be accepted and booked.

And such a path may involve identifying pending actual disbursements that should have been reduced to zero. And that sometimes happens. The business office or the financial office may reduce something. But maybe they forgot to push the button that updates the business office information.

And consequently it doesn't update the COD system. So make sure all the actual disbursements are reported. Which can eventually lower your ending cash balance if you have one. And to help you maintain compliance with the 30 day reporting requirement.

Another task is exporting and transmitting all the records and badges. Not good enough that, you know, that you've done all of this. You've recorded the disbursements in the financial aid side and the business side. But if it just sits there then nothing's going to happen to it.

You need to export it. Somebody needs to be in charge of exporting this information. And receiving it back. So you want COD to have an accurate record of your processing because eventually that's going to show up on your school account statement. And if you don't send records into COD, then COD doesn't know they exist.

Import all acknowledgments and responses so that your direct loan system is updated to reflect what's on COD.

On the last bullet, reconcile internally both cash and disbursement transactions. We highly recommend that you reconcile internally first to prepare for the end of the month reconciliation with COD.

If you have discrepancies internally in cash or disbursement transactions to common areas where they occur, then how do you know which is correct to compare to the departments unless you reconcile internally first?

And as part of this business practice, 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, maybe two days right after, you know, sending disburse, you know, doing disbursements, posting disbursements in this account.

So like for example if a business office generates disbursement rosters and sends them to the financial aid office for entry into the let's say direct loan

software or whatever system they're using to submit the COD. These rosters should be reconciled internally as they are generated.

And usually the financial aid office, and just the data first, checks it off and then sends it back to the business office. And the business office then verifies the information.

Implementing reconciliation, I'm on Slide 14. To reconcile monthly you need to basically do three things. You - besides reconciling internally, once you start getting deep into the reconciliation process, you need to review the school account statement.

Identify reconciliation discrepancies and you use the reports and tools that are available to you, depending on what kind of system you use. And then you document your monthly reconciliation.

A school reconciles its direct loan account by first comparing the summary information on the school account statement, which is the first page of the school account statement.

Ensure any discrepancies are resolved and documenting any reasons for a positive or a negative balance. You should use internal school reports and records, as well as tools such as COD screens and COD reports to assist you in reconciling.

Any resources at your disposal that provide you information on your direct loan processing and data or your student awards or accounts can be used. Additionally, you may want to use direct loan tools which has an excellent software. It's free provided by the Department of Education and definitely we'll have training on that later on.

All schools can use direct loan tools to format the school account statement. Whether you use that Express or not, all schools can use it. You can run what we call the compare program, which basically as it says compares your information against the departments.

And it can spit out reports to tell you what doesn't match. And you can work from there to help you with reconciliation. It's a really nice tool to use. And also utilizes the cash management tool. You can enter your cash drawdowns and refunds of cash. And then also can compare it against the COD reports, the SAS and tell you what's not mis-matched.

So all schools can use direct loan tools. But some of you may need to work with your software vendor or an IT department to export your internal information in the required format. And it's, you know, for a technical person it's very easy to do.

We will provide you more information on upcoming direct loan tools training later on. I know we're working on that now. And whether you choose - whether you want to use direct loan tools or not, it's vital that you have some method for comparing the SAS information, especially disbursement detail information with your school records.

So some software vendors may have a tool similar to direct loan tools where you can import your school account statement. And kind of compare both information and see what's a miss. And the schools that do this have a much easier time with reconciliation.

As we have mentioned earlier, it is important that you document your reconciliation efforts and their results, including what actions you took to

resolve and to track the issues. The department doesn't dictate how you document it, just that you document it.

Now let's talk about the school account statement. And like I said earlier, it contains the department's official ending cash balance for your school. And you'll receive one each month.

And it comes from COD. It will go to your (SAIG GG) mailbox. And it gives you the data that you need to reconcile your direct loan records. Schools will receive a school account statement for each open award year.

So for example if you're currently in the '11, '12 award year and processing. But you have not closed it out - closed out let's say the '10, '11 year, you will receive two separate school account statements. One for '10, '11 and one for '11, '12.

The SAS is generated on the first full weekend of the month, with data through the end of the previous month. If you will be receiving the SAS for different award years, be sure that you're working with the appropriate data for each SAS comparison.

The SAS is broken down into four parts. The first page is the cash summary. Then you have the cash detail. Then you have the disbursement summary by loan type. And lastly the disbursement detail data, which is optional. The cash and detail information, disbursement detail information is used to reconcile.

Now on the next screen we have a snapshot of the SAS cash summary, which is the first page of the school account statement. And in this example it shows you a high-level report that shows your ending cash balance and total for the loan awarded and received by the COD system.

And the funds paid out through the G5 system. The cash summary can be used to quickly identify whether you have discrepancies with your funding or your COD disbursement records.

So be careful when you compare your school's cash information directly to G5 because discrepancies may arise as a result of timing differences. Remember, this is a snapshot in time when you're looking at this particular summary, the school account statement.

The SAS uses cash information from COD. And COD gets that from G5. And we'll discuss this in a lot more detail shortly. Also, note that the SAS example on this slide and the next two slides are SAS data printed on the report form using direct loan tools.

Again, direct loan tools is a free software provided by the department to print reports and compare data from your system to the SAS. The report could look very different depending on the report form that you choose if you use a different system to import the school account statement.

The important thing to remember is that you need some method that allows you to review the SAS data and compare it to yours.

As a reminder, as you see here your ending cash balance is derived by adding your beginning cash balance to your net drawdowns. And then (distracting) your school total net booked disbursements from that. And what is left is your ending cash balance.

Okay, here we have the SAS cash detail. And this is a print out that you probably, along with the first page that we just showed, that you would give your business office to compare against their internal records.

And the cash detail shows you your drawdowns and refunds made during that month as reflected on COD. Also, note too that cash receipts and refunds are used to determine your school's net drawdowns. Your cash receipts minus your refunds of cash equals your net drawdowns.

So here in our example we have two receipts of cash for the month totaling \$13,074. And two refunds totaling \$1,350. And so that leaves us with a net drawdown of \$11,724.

Here we have a different view. And this is not using direct loan tools. This is using an Excel spreadsheet. Also loan and disbursement detail from the school account statement. And schools have a variety of options of how to receive and view their SAS information.

The disbursement detail shows actual disbursement 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.

Note also that your total net-booked disbursements are basically you have booked disbursements plus your booked adjustments. So booked adjustments can be upward or downward depending on what you did for that particular student.

I mentioned earlier that there are four components of the SAS, three of which we have looked at here now. The fourth is what we call the disbursement summary by loan type, which provides you information on how much you

have disbursed by loan type such as, tells you okay, for the subsidized this is how much you've disbursed.

Under the un-subsidized, this is how much you've disbursed. And then under the plus, this is how much you've disbursed. Do to the time constraints, we won't discuss this any further.

But I just want to make sure that you're aware that the is a summary type. And it's just a summary. It just tells you how much you disbursed for each of the types of direct loans available.

So how do you use this? Okay, the school receives the SAS right, the school account statement. And you initially compare the cash summary to your internal records first, the business office right. And if they match and you can explain any reasons for your ending cash balance, you're done.

But, if they don't you'll need to look further using the cash detail and the loan detail portion of the school account statement, okay. And here we have that. So if they match, you're done. If not, compare the cash detail. Compare the loan details and see where there is discrepancies.

If there are any timing issues, and sometimes that does happen. You need to document that as well just as you would do for your discrepancies and the reasons for any cash balance.

Just like you do for your personal checking account. So if you know you made a deposit, or you made a withdrawal but it didn't show up on your bank statement, then you document that. So you put that in there so you can figure out what your ending cash balance should be.

And if there are any issues that it seems like you can't resolve it, remember that you have the COD customer service rep to assist you with you're doing your comparison and reconciliation.

Okay, and if you've resolved all of it, then you're done. And remember to document.

Here we have listed on Slide 20 common cash discrepancies. And in the first bullet we have cash transactions in the wrong year or split between years. This is very common in between the end of the award year and the beginning of a new one when you're processing loans for the summer.

Direct loan funds are awarded year specific. Meaning that funds drawn down for a specific award year must be disbursed in that award year. And if returned, it must go back to that award year from which they were drawn.

Just keep in mind, especially for the business officers that the year destination in the award number in G5 is the trailing year of the award year. So a G5 award number - and for those of you familiar with the screen shots of G5, it may say P268K12. The 12 at the end would mean that it's for the '11, '12 award year. And it's vital that all your transactions, refunds or returns remain all within that same award year.

I know for the other program it's different, but for direct loans we use the last two digits of the award year in the G5 system.

And the second bullet refers to refunds - funds recycled for disbursements in a different award year. Direct loan funds can be used for the award year in which they were drawn down, right. For instance if you draw down \$5,000 for '11, '12, then they are for disbursements made for '11, '12.

And if a borrower for example, after winning the lottery, decides they don't want their disbursement. Let's say they have a \$2,000 and notifies you that they don't want that. You cannot use that \$2,000 for disbursements for the '12, '13 award year because these loans are specifically to be used only for that award year for which they were drawn down.

So in that case, if the student didn't want the \$2,000 loan for the '11, '12, then you need to return that money according to the case management regulations. And you would return that \$2,000 to the '11, '12 award year.

On the third bullet we have funds from a different program. Although you might think (unintelligible) happen, funds drawn down from one program sometimes could be disbursed in another.

Obviously you cannot draw down funds from Pell and make direct loan disbursements with them or vice versa. So make sure you go into G5 and draw down funds, that you are using the correct program to draw down the funds.

And also make sure that if you're Title 4 funds are in one bank account that you use funds associated with the program you are disbursing from.

On the fourth bullet we have timing. You should allow five to seven days for refunds to move from G5 to COD. There could be a lag time of five to seven days before funds returned to G5 show up on COD. Keep this in mind when you're reconciling if you returned funds toward the end of the month, because that's when we run the reports. And they won't be reflected on your school account statement.

You would want to note in your monthly reconciliation the documentation that you returned funds on X date on G5. But that it's not reflected on your school account statement for that particular month.

On the next bullet we have funds sent a payment that should have been a refund of cash or reverse. Although very rare, funds allocated as payments that should have been a refund of cash or the reverse will cause a cash discrepancy.

And generally this occurs not only as any funds sent back as a result of a borrower not wanting a loan or disbursement that occurs when 120 days of the disbursement. And if a student wants to return funds, you can do it as a refund. And reduce their loan amount if it's within 120 days of their disbursement.

If the 120 days have not elapsed and the school at your discretion, you have your policies regarding that, decides to return the funds after on the borrower's behalf after their right to cancel has expired. The funds are sent back as a refund if they cannot be disbursed to another eligible borrower.

Rarely, and not recommended, if a school decides to assist a borrower who no longer wants the funds and 120 days from the disbursement has already elapsed, then those funds should be sent to the server as a payment on the borrower's behalf.

So you send that, after 120 days that should be sent, the student doesn't want their loan. It should be sent as a payment on the borrower's behalf. And so obviously you wouldn't touch G5. And you wouldn't have - you wouldn't be going into the system and reducing the student - you would be reducing the

student loans. But it will not be reflected as a refund. It will be sent as a payment.

Ideally a lot of schools, you know, they do this on behalf of the student. But the borrower should be the one making the payment. Again, this may never occur at schools and it's certainly not encouraged. However, this is a possibility and we want you to be aware of it.

We have cash reports and tools on Slide 21. And such resources such as the COD Website, specifically the school summary financial information on the COD Website and cash activity screens. And it's information on refunds are very valuable when reconciling cash.

And also any internal reports your school may run that shows what cash you have drawn down or returned, as well as your bank statements will assist you with your reconciliation efforts.

You can compare the information between these two. And use the reports when G5 to resolve discrepancies to get a clear picture of your school's direct loan cash situation.

Here's a screen shot of the COD school summary financial information. And this screen contains the same information as it appears on the school account statement.

So remember, the school account statement is just a snapshot in time. This screen here on the COD Website is updated daily. So it may be more current than your school account statement.

However, your school account statement is your official statement from the Department of Education. And that's the one you should be using for your monthly reconciliation process, just like you would for your, you know, bank reconciliation for your own personal finances. You get a statement from the bank. And that's the statement that you're going to be using to reconcile right.

So this screen shows you your cash and disbursement information for the entire award year in a summary form. Here we have another screen shot of the COD Website. We call it the COD cash activity screen.

And it shows all types of cash activity, allowing you to scroll through the selected award year, as you see on the top. You can select the award year and the type of program. We're talking about direct loan in this instance. You can select other programs if you want to see the other programs as well.

And you can scroll through to see each type of cash transaction. And all this information, as I said earlier, comes through from the G5 system. Your business officer will drawdown funds. And G5 will communicate that to COD. And this is where you can see that information.

Notice that in this screen it also shows you the amount of unsubstantiated cash you have, as well as in excess of 30 days. Unsubstantiated cash are funds that you have drawn down for which there is no corresponding disbursement.

And the most recent data is displayed first with earlier transactions shown as you scroll through the screens.

And there you see a graphic that says days left for on-time reporting. Remember you have 30 days to disburse funds. And schools have to report the disbursements to COD.

It's important to remember that although you have 30 days to report your disbursements to COD, you have three business days to disburse funds to the student's account, or credit the student's account when the school receives that drawdown.

And that 30-day allows time to transmit the actual disbursements or adjustments, if you have adjustments, to COD and to resolve any reject records in that timeframe.

And although you have 30 days to report disbursements, you don't need to wait until the 30th day to report them. In practice you should be submitting disbursement records to COD as soon as they're posted to the student's account.

Here we have, we went through the common cash discrepancy issues. Here we have a list of common disbursement discrepancies. Un-sent, un-acknowledged disbursement batches will cause data and that on the SAS to be different.

So obviously if you haven't sent disbursement information to COD, then it's not going to show up on the SAS. So when you're running reports, you're going to have a school report that says you have X amount of disbursed or adjusted or what have you that's not going to match.

So you need to check to see if there was any un-sent or un-acknowledged disbursement batches.

The second one talks about disbursements that reject obviously will cause mis-matches. Your system may show the disbursements as having been made on the system, whether you use PeopleSoft, Banner or what have you.

But on the COD system it's probably - probably reject it. And obviously when you go into the COD system, you'll see that that disbursement doesn't look like it's kosher.

So you need to resolve all rejects in order to be able to successfully reconcile within that 30 day reporting requirement.

You also have disbursements not enter into any system, okay. Disbursements that you actually made but did not record, and of course is not entered or transmitted to COD is leading - it's a leading cause for a disbursement discrepancy.

And you have disbursement records recorded in the business office, but not in the financial aid system, or vice versa. Disbursements made or credited to a student's account but not entered into your direct loan software will definitely cause discrepancies in disbursements. And until you resolve them, you'll not be able to reconcile your records internally.

Records that are un-booked, missing like I said earlier one of those three required elements for booking, accepted loan origination record, a linked and accepted promissory note and a first accepted disbursement will appear on your school account statement as an unbooked loan.

Although those should not appear as frequently as they used to be fore because you won't be allowed to send in a disbursement - first disbursement unless we have an origination record accepted and a linked and accepted promissory note.

But you will find that maybe you'll have unbooked loans because you are allowed to inform us of the disbursement, to report disbursement early before it's being made.

And so if it's being sent to use and it happens to be towards the end of the month when we run the school account statement. And that date of disbursement hasn't passed yet, then it's going to show up as an un-booked loan.

And in most cases that's what it's going to be. So if there's anything else, then you'd have to resolve those.

If your school loses its direct loan data, God forbid right. Obviously that will prevent you from reconciling, especially if that data hasn't been sent. Or maybe it has been sent and residing in COD. But now you have nothing in your system.

There is a way to restore some of that information. And you should check with your COD representative, customer service rep to help you restore data that you may have lost in your system. There are some steps that you can follow to help you restore that.

Here we talk about the Express reports and tools. We mentioned the COD Website. We saw the screen shot of the school's financial summary, call it summary financial information.

And that's when it shows the totals for our funds drawn down, refunds of cash and disbursements. And it calculates your ending cash balance. And it's very similar to the SAS except that it's updated daily.

We also have something we call, in the COD system, the action queue. The action queue search and COD can be searched for disbursement records that are still in pending status. And be used to determine if there are pending disbursements that should have been actuals or that should be reduced to zero. And the action queue is similar to the pending disbursement list, except that it's updated daily.

You also have the batch search on COD. And that can assist you in determining the status of records you sent and help you research rejected disbursement records.

Under COD reports, you have the actual disbursement list. And this report will show you a week's worth of actual disbursements made to COD. And can be compared to your system. We'll discuss this report in a little bit more detail in a minute.

But you also have, under COD reports, the pending disbursement list. And this report will show you disbursement listed as pending within COD. Any actual disbursements you have on your system that show up as pending in COD likely may not have been submitted or, you know, sent along in a batch to COD. And so doing so will clear up your disbursement discrepancies.

And obviously the last thing you have are your internal school reports. And depending what kind of system, you know, you have a variety of reports to print or access to help you assess your situation at your school and reconciling the direct loan program, which you can probably use also for your - to compare your school account statement against.

Here we have an actual disbursement list, on Slide 26. And as of October of 2011 COD began generating and transmitting the direct loan actual

disbursement list. And this report will display actually disbursements from the previous Saturday, seven days before the report generation date through the following Friday.

And actual disbursements will be eligible to appear on this report based on their post date. Which indicates when each disbursement or adjustment is posted on the COD system.

The report will include booked, un-booked and future dated actual disbursements and adjustments, provided that they are created within the reporting period. And the actual disbursement list can be used to compare against your internal disbursement records.

So as we've mentioned earlier, you need to document your reconciliation efforts. You need to establish a policies and procedures. Document who is going to do what, when and where - and why. And document all of that.

And so reconciliation should be performed monthly at regulation. And any issues should be identified and resolved. And you have to document your reasons for the ending cash balance.

The format is your - the school's discretion. How you choose to document your efforts is up to the school to decide. The important thing is that you reconcile monthly and that you document your efforts.

So and that finishes my side of this Webinar. And now we're going to switch over to Craig Rorie who will talk about program year close out.

Craig Rorie: Thank you Anita. Again, my name is Craig Rorie. I am also a Training Officer out of Philadelphia. We are running a little long today, but we are going to

finish the Webinar. You won't be disconnected either from the software or the phone lines. So please bear with us. We are going to finish.

And also we've had a few little software glitches. So if you have submitted a question and that did not get answered, please re-submit the question. And again, to submit a question you're going to go to the top of your screen where it says Q and A. Click on that Q and A tab I guess.

Anyway, it's at the top of the screen on the left-hand side. Click on Q and A and then just type your question in. So with that we're going to get started with close out.

We talked so far about starting our race which is, you know, getting off strong with time - with thorough processing practices. And then we talked about running each leg of the race, which is reconciliation.

And now we're going to talk about completing the race and crossing the finish line. And that of course is program year close out.

Program year close out is defined as it's really just a process by which you complete, at the end of the direct loan year, you're going to complete a final reconciliation. This is just an extension of your monthly reconciliation process.

And it's going to result in a zero ending cash balance. You're required to close out each program year. Most schools do it. And we recommend within a month or two of your final disbursements, but no later than a program year close out deadline date.

At that point it's a final reconciliation. It's going to allow you to identify and resolve any outstanding discrepancies. And ensure the remaining funds are returned or a final drawdown is made. Close out simply is just a final reconciliation to a zero ending cash balance.

On February 16, 2012 we issued an electronic announcement called direct loan close out information for 2010, 2011-program year. Although this pertains to 2010, 2011, it contains a lot of useful information and kind of some frequently asked questions about close out.

So even though this talks about the 2010 year, it's applicable to all close out years. So we recommend that you get a copy of this and read it. And might be a good thing to have on hand in your reconciliation file.

You should create, excuse me, you should close out an award year once you've completed the final disbursements for that year. So once all award information has been submitted and accepted, you can close out the year.

You have to close out no later than the final close out deadline date. This deadline is always going to be the last processing day in July of the year following the end of the award year.

So for the 2010, 2011 year the close out deadline date is September 31, 2012. The close out deadline date for the '11, '12 year will be the last processing day in July of 2013.

There are exceptions than can be made to this deadline on a case by case basis. And we'll talk about that a little bit further.

Before the close out deadline date, several months before you're going to receive from FSA announcements such as the one we mentioned for '10, '11 on the previous slide. And it's going to give you specific information pertaining to that year's close out.

It's going to include the close out deadline day. COD also sends out system generated correspondence in the form of emails to schools that will provide you specific information about the award year that's being closed out.

COD generated zero balance letters and remaining balance letters. They're sent monthly to the financial aid administrator. They include your balances, the latest award end date and instructions for closing out the award year.

Notification warning letters are sent to schools via email. They go out in May of each year. They're going to go to the financial aid administrator and the president at each school.

The letter is also going to go out to schools that may have a zero ending cash balance, but have not officially closed out yet.

The letters serves a reminder to you to finish processing and confirm close out for the final deadline.

This is a COD school correspondence screen, the help desk screen. This is where you can go and view all correspondence associated with your program close out year activity and also the statuses for each award year.

Schools have the option here to request that a letter is re-sent or generated, as well as you have options to view it online. And to reach that you click on the school tab and then click on correspondence to view your correspondence.

Here we have an example of a zero balance letter. Upon reaching both an ending cash balance of zero and total net un-booked disbursements of zero, your school is going to receive the samples that you're going to receive a zero balance letter.

This is going to be sent you by email. And it's going to give you instructions to use the balance confirmation form in COD to confirm close out.

As you can see here it's going to show you your total net drawdowns, your total net disbursements and of course they're going to be equal. And you're going to end up with an ending cash balance and total net un-booked disbursements of zero. So you'll receive that letter upon - when you meet that criteria.

Also it will show you the latest reported direct loan award, or the latest award date. And again, here it gives you, we're just kind of blew up for you this graphic. If you agree with that information and you have no more processing due for that year, it tells you to go to COD and to confirm, use the close out confirmation form. And confirm this balance and that you're closed out for the year.

Now you may be wondering well how do you close out? Basically you're going to close out, it's a similar way. It's just in a last monthly reconciliation in essence. It's your last reconciliation of that direct loan award year.

You're going to receive a school account statement for the year. And you're going to reconcile against it. To close out you want to compare internal student accounts and business office records with financial aid office records. And resolve any discrepancies.

You want to ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year. Ensure that all batches have been sent and accepted by COD. And all disbursement and adjustments are accurately reflected on the COD system.

You also want to import all school responses into your system. Ensure that all un-booked loans are booked or inactivated or rather which is by reducing them to zero.

You want to resolve outstanding rejected records and any return of refunds of cash that you have. You want to return those funds to the department. Also request any remaining funds owed to you based on actual disbursements as accepted by the COD system if applicable.

Once you've achieve the zero ending cash balance and it's past your latest award end date, you're going to receive that zero balance letter email. At that point you should complete the balance confirmation form on the COD Website.

Again here, upon receiving that balance letter, you'll log into COD, click the balance confirmation link from the school options menu on the left-hand side of the page.

And at that point you're going to follow the instructions so that you can - on the balance confirmation screen. It's imperative that you do complete the balance confirmation screen in order to be officially closed out for that award year.

You complete the balance information screen shown here. You're going to confirm your ending cash balance, which must be zero. And upon confirmation, you're going to agree. And at that point you're going to click agree and you're going to have closed out the year.

Once you've successfully closed out, COD will generate a program year close out letter. That's going to go to your school. You should keep that in your school's reconciliation file as documentation that you closed out.

We're going to reduce your funding and your drawdowns and payments. You'll be able to make no more drawdowns or do anymore payments. So we're going to cut off basically processing for you.

Also at that point COD will reject any additional data for the program award year. And that program year close out letter, that's kind of your gold medal showing that you've won the reconciliation race.

It doesn't quite have the cache as a real gold medal. But, you know, this is the Federal Government and that's all we have for you unfortunately.

The benefits of closing out for you is again, you're going to get that close out letter. And that's going to be your documentation that close out is completed. At your - it's going to reduce your current funding level to zero, or reduce it. It's going to prevent you from drawdowns, drawing down any money or requesting anymore funds in that closed year.

And also any award year specific data is going to be prevented from going from your school to COD. So we just kind of turns everything off. So not that I think you would, but you couldn't inadvertently process for the year.

So what do you do if your balance changes after closing out the year? Your balance might change due to refunds or adjustments in G5. If that happens you're going to receive a change in zero balance letter.

You're also going to receive an updated school account statement at the end of that month where the balance changed. At that point you must, if it is before the close out deadline day, you're going to ask that the year be re-opened. And you're going to contact COD school relations to do that.

So this, again this is what you're going to do if you've closed out a year and it's prior to the COD deadline, excuse me, the program year close out deadline. You're going to request to re-open the award year by contacting COD.

You're going to contact COD school relations at codsupport@acs-inc.com. You're going to include the name and identifiers of your school. The reason for the request, the award year to be re-opened and you're going to receive a re-open letter once that occurs.

You want to remember that you're re-opening this year. So once everything gets back down to zero again, you're going to need to go back in and re-close the year once you resolve the balance.

Again, after the close out deadline date for the year, what's going to happen? After close out deadline, COD is going to reduce funding to net drawdowns for all remaining schools. It's going to reject award year specific awards and disbursements. It's going to discontinue your specific report. And it's going to issue a final school account statement to all schools.

So whether you're closed out or not, at the deadline date this is what's going to occur. Once the close out deadline date has passed, even if you haven't confirmed but you've submitted everything, you can still confirm that you closed out.

The process is the same for both pre and post-close out deadline. You're encouraged to confirm close out as soon as possible after final disbursements and adjustments are processed for the award year. So you'll do the same or follow the same procedures as we discussed on Slides 37 and 38.

Now so what do you do if you determine after the close out deadline that you still need to process records for that year? Or say, you know, because perhaps some new information came in or you weren't able to close out for a variety of reasons.

Well at that point extended processing is available on a limited time basis for authorized reasons. And you're going to request that from COD.

You're going to - as of schedule for July of 2012, there will be a way to do this online. And there will be electronic announcement issued about how to open up or ask for extended processing.

But before that occurs, and we're not quite sure when that functionality is going to come to COD in July of 2012. But it is scheduled. But prior to that, you would go, if that functionality is not available to allow you to do it online here, then just contact COD school relations at the number. And the COD support, or COD support as shown on the screen here.

Just like you would do with (PIC). This is kind of the same similar procedure you would do to open, re-open a year. Extended processing requests are exception-based. They're on case by case approval.

And they are - you are only given this for a limited time. When you request that you have to include your name and identifier, again the award year requested and a justification for the request.

When you send in this information we want you to be specific about why you need to open the year. But we don't want you to be so specific that you send us personally identifiable information. Never send us personally identifiable information, so no PII Please.

If you fail to resolve your ending cash balance, your school is going to be notified of its remaining cash balance through a final demand letter, or a negative demand letter - or a negative balance letter.

Any remaining positive balances will result in a final liability for the school. And of course we know do you don't want any positive liability. So we're going to basic, if you haven't closed out and we're going to issue a final demand letter. And we're going to - if the funds aren't paid back if you owe us funds or if you're - then at that point your school would have a liability.

Again, just to recap a little bit. If you've closed out a year and you determined that you need to process further for that year. If you - it's before the program year close out deadline date. You're going to request that the year be re-opened. If it's after the close out deadline date, you're going to request for extending processing.

Now we're just going to show you just about done with most of the Webinar here. But just some reference materials we've talked a little bit about that you might want to have - you definitely want to access these. Maybe keep them bookmarked, or if you like, print them out.

The Direct Loan School Guide, Chapter 6 specifically talks about reconciliation and program year close out. Volume 4 of the FSA Handbook talks about this. And also the COD Technical Reference, Volume 2, Section 4 talks about edit.

Volume 4 talks about direct loan tools and that software. Very good software to help you. And Volume 6, Section H talks about some of the reports that are available to use. And you can use these reports in closing out and reconciling.

Again, these are our COD resources. This is the COD customer service number. They will help you with issue identification. They also send school monitoring emails. And they are available to help you by producing some ad hock reports.

Also, the COD has a COD reconciliation team. They are specialist that are there and their specialty is just to help people with reconciliation and program year close out issues. So please avail yourself to them.

This concludes today's presentation. By now you should have a basic understanding of the direct loan reconciliation and close out process. Again, our - today this is just an overview of the process, processes rather.

If you want more specific information about close out and reconciliation, you'll want to go to our direct loan reconciliation training. It's an interactive session available to you. You'll download that or access it via download.

And there's a - with that is a participant guide. And it will run you through some case studies. And you'll go through this at your own pace.

To reach that you just want to go to IFAP, click on training. And then click on training for specific functions. And you'll see that direct loan interactive reconciliation training listed there.

Also we have, as part of our direct loan suite, direct loan primer and also direct loan processing in COD, which talks more about some of the functionality of COD.

Also, we have a direct loan reports Webinar that is recorded that you can download the same way. Go to IFAP. Click on training. And then a specific function. And it talks about several of the reports that you can use in managing your direct loan process but also reports that can help you in reconciliation and close out.

And also coming up in May we're going to have two direct loan tool Webinars. These - direct loan tools is a free software application any school can use. You download it. And we're going to talk about how that can be used to help you reconcile direct loans.

And with that I'm going to turn it over to the question managers and see if there are any questions that they took that may be of general interest to the entire audience, question managers?

(Chuck Hirman): Yes, Craig thanks. This is (Chuck Hirman). And I'd like to just mention that I responded with an incomplete answer. Let me just provide a little bit more information.

The question was about being able to sort on the school account statement the disbursements from the adjustments. And I was incorrect. Sorry. There is a field that will tell you disbursements versus adjustments.

So as long as we provide that field, it is a sortable field, especially if you import the SAS into Excel. You can sort on that column or whatever other program you use to import it.

So yes, you can find out exactly which adjustments separately from the regular sequence 01 disbursements. That's all I have Craig, thanks.

Craig Rorie: Thanks (Chuck). (Tracey) anything?

(Tracey Lardnois): This is (Tracey Lardnois). How are you? One of the questions we had was when is the close out deadline? And the close out deadline as in the presentation for the '10, '11 year is July 31, 2012.

However, you should be able to close out your award year within a month or two of the last disbursements that you post to COD. And so that would be our guidance to you is to go into the balance confirmation screen in COD once you've reconciled those final disbursements, and close out that award year. That's it. Thank you.

Craig Rorie: Okay. Thank you (Tracey) and (Chuck) as well. As you'll see on the screen, we have a start survey. If you - we have a short survey for you. If you would click on that please, we'd appreciate it. It's just a little survey. I think it's five or six questions, maybe more, just very short about today's training.

Also any comments you would like to make or suggestions about future training you can make there. This is our primary way of getting feedback from the community on our training, how we did and also what training you would like to see in the future.

So we'd appreciate it if you would click on that and take that brief survey. Also we'll hang on the line or on the software rather, we'll stay up in off Microsoft Live Meeting for a few more minutes and answer any remaining questions.

I thank you all for joining us. And for staying with us today. I apologize for some of the little software problems we had. But again, this is Craig Rorie and on behalf of Anita and (Tracey) and (Chuck) and Federal Student Aid, I thank you all for joining us today. Have a good day. Thank you.

Coordinator: Thank you. This does conclude the conference call. You may disconnect at this time.

END