



[BRUCE HONER:] I have with me here today, let's start out with some introductions. I would like to introduce to you Ron Ackermann. Ron Ackermann is the manager over the reconciliation team out of Washington, D.C. Along with me, I have Randy, who is a reconciliation specialist, is that correct? Customer service reconciliation specialist. He is the kind of guy that you would call to help you with any kind of issues you might have with your own reconciliation issues at your school. And I have with me Thomas [inaudible] and he is the Operations Manager for Reconciliation and COD, so we have some experts here with us.

I will tell you that I am not Allison, in case you haven't figured that out. My name is Bruce Honer. Allison could not make it this week and so they asked me to cover for her during this particular session and so I'll be doing that. Just a little heads up, just so you know, I come from 10 years prior to coming in to the Department of Education, 10 years' experience in working with FFEL schools, and so I can tell you that when I started to look at Direct Loans for the first time, I really was, for those of you are with FFEL schools, looking to make the transition, I can tell you I looked at it from the same eyes that you're looking at it right now. Hopefully, I anticipated all the kinds of questions that you would ask, and if it becomes so technical, that's why we have this wonderful group of experts here with us, that they'll be able to answer them for you.

What I'm going to be doing today, just so you know, it is probably a little unconventional, you are used to people standing up here at the podium, that sort of thing. I gotta tell you, we're going to be doing a case scenario because reconciliation requires us, in order for you to really understand the process, we would want to see it in action. So, I'm going to pull up some slides, and I want to point to certain things on the screen. I hope you don't mind that at this particular point in time I make a shift and I walk down there with you because I can't do it from here, there's a pole, I know I'm going to trip over myself once I try to do that from up here. Is that okay? Great. I'm going to take a walk over here. These guys will stay up here.

Okay. Great. So, Direct loan reconciliation. Let's talk about what we're going to cover today. We're going to do an overview. Essentially what I'm going to do during the overview process, on my agenda, I'm going to give you a foundation. I'm going to talk to you about some different definitions, some concepts, some processes, and even talk to you about some tools that you can use during the reconciliation process. After that, I'm going to start my case scenario. Just like any reconciliation, I have to start off with my cash summary and do a comparison of that cash summary from COD, you all understand this. I always hate these agendas. You haven't learned about it yet and yet I'm talking about what's going to happen. But that's okay. We're going to have a cash summary where we are going to compare what COD has as far as what you have drawn down and what you reported to COD, and you are going to compare that against your own school records. I'm going to show you how to do that. Then, I'm going to drill down even further. I'm going to then focus on any discrepancies that I may have, and what COD says I've drawn down and my own internal records say that I have drawn down, and show you how to drill down and find discrepancies and resolve those things. Then, I'm going to talk about disbursement detail. After I'm done with the cash on the



draw down side, I'm going to then drill down on disbursements and show you how to find any discrepancies between what COD is showing that you have reported as far as disbursements and what your own internal records are showing. Okay? Then, we are going to talk about documentation required to do this thing called documentation. Of course, that is real important too. So, this is essentially what this is going to cover.

I will tell you that I take this different kind of approach, in that I have no problem in the event that you have a question, although we do have a very large group, so if I end up having 50 questions, we're probably not going to get through this session. However, if I have a screen shot up here and you feel so inclined that you want to understand something that is on the screen shot, please stop me. I have a microphone right here in the center. It would help if you really took the time to get up there and I'll stop right then and there, and you go ahead and ask your question so everyone else can hear it. Okay? Otherwise, we're certainly going to have a section after the session is over so that you can ask all the questions you need as well. Not only myself but these folks will stay after and we usually get a good group of people that come up that want to talk about their school and what's going on with them. We're happy to do that for you as well.

Let's move forward. Okay, let's talk about reconciliation. I'm going to give you a general definition. Yeah, we have what is written up here, but I'm going to give it to you in a nutshell, something that is more simple. Some things are a little wordy, and that's good, that's a good definition. Reconciliation is kind of like what we have up here, we're saying it's like balancing a checkbook. You get funds that are deposited into your checking account, and then as the month progresses, you start to spend that money, and you want to make an account as to where that money goes, that's the responsible thing to do. It's the same thing with reconciliation. We are going to draw down funds through the G5 System, correct. Hopefully our Bursar's office is calculating how much we're supposed to draw down based on what they believe is going to be disbursed over the next month. We draw down a certain amount of money. Then, what we have to do is we have to report to COD where we have to make an accounting or substantiate the need for drawing down that money, make an accounting as to where those funds went. They went to this particular student for this much money and using this particular disbursement. At the end of the month, I'm hoping that the amount of money, I'm hoping, it better be, the amount of money that I have drawn down is going to match the amount of disbursements that I am reporting to COD. So, I'm substantiating that need to draw down that money. Does that make sense? Now, if I draw down more money than what I disburse or what I'm showing as reported as being disbursed, that difference, that excess amount of cash that I have is what we call an ending cash balance. Keep that in mind. I might draw down \$10,000 but I'm only showing that I've reported \$9,000 in disbursements. I have \$1,000 discrepancy. That \$1,000 is my ending cash balance. Does that make sense? Good.

What I'm going to do as part of this process, not only am I going to take a look with the system that Federal Student Aid has through COD really, I'm going to compare that information against what my own internal records are showing. If everything is



matching and everything works out in the end through the process of identifying and resolving my discrepancies, then everything is good. If I'm able to match and figure out where the differences are, do some research, do some investigation, and find out where the discrepancy is, I also want to make sure that I document that information once I find it. Reconciliation is something that has to be done, just so we're clear, is something that is done on a monthly basis. You need to do it every month. The truth of the matter is, you're not required to send in a report of your documentation, so we're clear, at the end of each month, but let's be clear too that when you get audited, they're going to be asking for that sort of thing, so you do need to do it. You're going to find out why it is so important to do this on a monthly basis, especially when you get to a program year and closeout.

What a program year closeout is, it is nothing more than an extension of the monthly reconciliation process. If month by month, I'm figuring out where the discrepancies are, I'm tracking it down, and I'm figuring out how to resolve them, and I'm doing that every month, by the time I get to the end of the year, I kind of have a trail as to what has been going on throughout the year. At the end of the year, this is just an extension, what I'm going to do is I'm going to assign somebody from my office, in the financial aid office, to go into COD to conduct this process called program year closeout. All they are doing by going into COD and doing this process is they're saying, guess what, I have a zero ending cash balance for the entire year of the amount of funds that I have drawn down matches the entire amount of funds that I have disbursed for the entire year. What the Federal Student Aid has on their system matches what my internal records say. I go through this process and I say, everything is good for that award year and I close it out through COD. Once I do that, that award year is closed out, I'm no longer allowed to draw down funds or make any adjustments for that award year. Keep this in mind, look at this, for the award year 2008-2009, which we know ends on July 1 or June 30, 2009, I have all the way until the next year June 31 to complete that program year closeout. Not so bad. You can see this process really isn't bad. Unfortunately, a lot of you have heard these horror stories from what happened back in the 1990s before we had COD, but you can see how wonderful COD makes things, so much easier for you.

Let's go through this. I'm going to talk a little bit more about ending cash balance just to make it a little clearer. I have my total net drawdowns. You have to remember, this is the amount of money that I have drawn down, but I am saying net drawdowns because not only am I drawing down funds, but I am also returning funds back to the G5 System too on a need based case, so that is where my net drawdown is coming from. Then, I have what is called my total net booked disbursements. Let's talk about what booked means. Booked consists of three different components. In order for a disbursement to be considered booked, you have to have an accepted loan origination record. That means you have built a school record in your own system, you built that origination record into your own school software system, you sent that out to COD, and it has come back as accepted as a response from COD. You have to have that, that is one component. The second component that you have to have is that I have to have a linked master promissory note that goes along with that loan origination record. Then, the third thing that I have to have, in order for me to have a booked disbursement, is I



have to have an actual disbursement occur. Does that make sense? All three of those things. Any one of those three components that are missing, I am not going to have a booked disbursement, but I'm going to have an unbooked disbursement.

I hope we're clear on that. I want to be careful on something else, since we're on the topic of booked disbursements. When I make a disbursement, how many days do I have before I have to report that to COD? 30 days. Good. Now, how many days before an actual disbursement occurs am I allowed to report a disbursement? Did you know that we can do that seven days before an actual disbursement occurs? As early as seven days. I don't want you to get this confused. Just because I report an actual disbursement seven days prior to it occurring, has the loan actually disbursed yet? No, it hasn't. That loan, even though it might be accepted and have a master promissory note, and you already have an actual disbursement reported to COD, it is not until that date comes to fruition and the disbursement actually occurs, do I have a booked disbursement. I want to make that clear. We are going to see some unbooked disbursements where we have some future dated disbursements. That is what I refer to as future dated disbursements.

Let's move forward. We have three key systems that we want to concern ourselves with during the reconciliation process, the financial aid office, business office, and really primarily the COD. What is going to happen is remember we are going to draw down those funds from the business office. You will see me say such things as we reported to COD this amount of funds that we had drawn down. The truth of the matter is, what is happening is as the business office is drawing down those funds, really what is happening is they are not reporting directly to COD. COD, just like they do with your own SAIG mailbox, they go in and sweep up that information periodically and so it sounds like we are sending it to COD through the business office but really to G5 and then COD gathers it. So that is how that works. Again, of course, the financial aide, as the disbursements are made, hopefully the business office is communicating with the financial aid department and saying I drew down these funds based on what I believe is going to be disbursed relatively soon, within this period of time, and so the financial aid office hopefully is communicating with the business office, and they are able to enter in those origination records and get that sent off to COD as well. Let me come in full circle as a result of the process. The key here is an indication between the financial aid office and business office, isn't it? I know a lot of you who are fellow schools, and all you direct line schools, this is phenomenal, you understand this, but you fellow schools, you are used to this concept of the funds for student loans on the fellow side being borrower specific from the get-go. You wait for the lender to send you that money. The truth is, you determine when you draw down those funds, how much you are going to draw down, and when you are going to draw it down because you have a single source called G5, and you will have all those different lenders. That is the difference between the two. I want to make that clear so you see it right away.

Let's talk about some tools. Now, these are very basic, as I start to drill down on the cash side and the disbursement side, this is going to expand as I get more specific. We have this thing called school accounts statement and that is going to help us. This is a



tool that we are going to use to help us. Now, this is nothing more than a report. The school account statement, you are going to hear me sometimes refer to it as the SAS, I hope that doesn't bother you, but just know that that is what I'm talking about. I can receive a school account statement, and this is a report from COD that I can receive that is either a monthly school account statement or a year-to-date school account statement. Now, year-to-date school account statement says that I want all of my activity that has occurred from the beginning of the award year all the way out to the end of the last month prior to receiving this report. The monthly SAS report is going to say I want data that is exclusive to all activity that occurred in last month only. That is going to help us because this is going to tell us what COD is showing what we have done pertaining to drawdowns and disbursements. Then, we have the COD website. Notice how I told you that we get this report on a monthly basis. What happens when I'm in the middle of the month of December and I want real-time information. I can get a lot of the same information that I can get from that report real-time if I go directly to the COD website instead of waiting until January to get that information. That is very helpful. We will get to see that in action here today.

Also, we have this thing called direct loan tools. I can't emphasize this enough. Direct loan tools are an excellent tool to help you with reconciliation process. It is wonderful. As a matter of fact, what you are going to see here throughout the day, you are going to see some reports that I'm able to generate, especially those comparison reports, and you will see what I mean when I get to that part, but they are really cool, its going to really help you a lot in finding out right away where there discrepancies are and where those differences are between your system and COD. You can use direct loan tools to create these reports by importing information from the monthly SAS into the direct loan tools as well as information from your own system and do a comparison and do all the math. I'm going to highly recommend it. I'm not going to tell you how to generate these reports, but I will tell you for instance there is a session that we have here this week every day that is called "Using Direct Loan Tools for Reports to Reconcile COD Data." It is a huge line, that's why I always forget it, but it is that long title, using direct loan tools for reports to reconcile COD data. It's going to show you these reports that I have up here today. You might have overlooked that and said what is that, forget that, no, no, no, that's a really good session that is going to show you how to actually build these reports that I'm going to show you today to help you with the reconciliation process.

Of course, we have the student files. The devil is in the details, isn't it? That is where we are going to build our records, maybe something went wrong, we entered something wrong, and we get a reject from COD. Obviously, we are going to use the student files as well as the financial aid office reports and business office reports. Again, we need to be communicating with one another and then using those reports to compare against what we have in the system.

Another tool that is available to you that we don't realize. How many of you call COD, I know back when I was a director, my goodness, those guys had to have known me by first name, and really they've always been there for me. They've always been there to answer my questions. I'm telling you from somebody not from, now that I work for the



Department of Education, but from somebody who has worked from the school side, that I've always had great interaction. You might not have. There may have been that one rare occasion, but I got to tell you, every experience I had, they've always been there and they've always been very helpful and help me find how to do certain things in COD. Did you know that if you make that transition to direct loans, and if you're already with direct loans, maybe you know this, hopefully you do, that you're going to have an expert like Randy here, who is up here, is an expert in reconciliation who is going to be proactive in helping you. You are going to have a reconciliation expert team member assigned to your school that is going to help you. If you get lost and you can't figure out what's been going on, Randy, he's seen it all, haven't you Randy? He sure has. He is going to be there to help you if you need to call him. We're not leaving you alone. We're giving you a person to talk to and walk you through it.

Then, we have these weekly monitoring e-mails that are there to help you as well. We are already familiar with the Pell Grant. You receive them. You receive those POP MRRs, potential overpayments for Pell. We're going to get something similar in nature for direct loans that is going to give you a snapshot of data pertaining to anything dealing with unsubstantiated loans.

Also, in addition to that, we have this thing called a 30-day warning report. Again, I told you, we talked about how we have 30 days from the time you disburse before that has to be reported to COD. Well, this warning report provides you all kinds of great data such as hey, we're showing that you have all of these master promissory notes out here and here is a list of all of them with the student's name, but we do not have a loan origination record to go with it. Or, vice versa, I have a loan original record, all of these loan origination records, but we don't have a master promissory note to go with it. So, we're going to send you these reports with this kind of data to help you. Maybe you don't realize it, something's not happening, you're not giving an accepted disbursement from COD. We're going to help you with that by providing you these 30-day warning reports.

Let's talk in a little more detail about the school account statement. Again, I talked to you about the fact that it could be monthly or year-to-date. A school account statement is essentially going to be generated on COD on the first weekend of the month. What does that mean? That means that here I am, November 30, Monday, right? So, that means my November 30 for this last month that just passed SAS report or school account statement is going to be generated this coming weekend and then it is going to be delivered that following Monday. I'm going to get my SAS report for the month of November on December 7. That is how it works. You get the idea. Of course, again, like I said, it contains all the data through the end of the previous month so it is going to contain all that data through the end of November.

Now, remember how I had talked to you about that problem year closeout, until I go through that process for instance for 2008-09 that just passed, until I actually complete that problem year closeout, 2008-09 is going to stay open, and it is not unusual that it is going to be open even right now if you still are trying to reconcile things for that previous



year. Doesn't it make sense, not only am I going to have my 2009-10 award year open to draw down funds and return funds, but I am also going to have my 2008-09 award year open to draw down and return funds. COD is going to send you a separate report for each of those open award years. It's going to help you. Just please make sure you look at the award year that is associated with it. Causes a lot of problems.

The school account statement or the SAS has four primary components that we are going to take a look at. I am going into each of these in great detail and you're going to see what they look like and everything in just a little bit. But I have my cash summary component. Cash summary is nothing more than a snapshot. It is going to give me my net drawdowns, it's going to give me my net disbursements, my net book disbursements, and it's going to give me my ending cash balance as a result of the difference right away. You're going to see a big picture right up front, it's a big snapshot, and it might also list any unbooked disbursements after the ending cash balance that you might still have out there.

Then, I have my disbursement summary by loan type. My disbursement summary by loan type is really, I gotta tell you, it's not the portion of the report that a lot of schools use for reconciliation purposes. What it is going to show is it is going to show what occurred, all of that disbursement activity that occurred in the previous month, it is going to break it down by loan type. This is how much you have disbursed in subsidized Stafford loans, this is how much you have disbursed in unsubsidized, this is how much you have disbursed in plus, and let's put it all together and this is what makes up all that booked and unbooked disbursements for the month. So, it breaks it down for you. In some schools, it does help if you want to drill down from there and say, wait I'm showing a subsidized, I should have disbursed this much. That might help for you but a lot of schools don't necessarily use that. They would rather get into the dirty side of it, into the loan detail, I'll talk about that in a bit.

Then, we have the cash detail portion of the school account statement. That is all of that activity that occurred in that last month as far as what you have drawn down, or again if it is year-to-date, I want to make sure we're clear, I'm just using monthly as an example. The monthly cash detail tells me this is all the activity that I had conducted on the G5 System, this is when I drew down money during this time of the month, this is when I drew down money, this time of the month I returned money, and they gave me the amounts and dates and everything else like that. The cash detail gives me all the details that I need to know and what COD is showing that I had done with the G5 System.

Then, I have my loan detail. I have to tell you this is probably where you're probably going to spend a lot of your time. The loan detail will show you all the disbursement activity that has occurred either during the last month only or up to the year-to-date, and that is nice that you can go ahead and compare that against your own school system and see where you are missing information as far as disbursements are concerned or what you think you should have.



When you build these reports, you are going to be able to customize these reports according to what you feel are your needs at your school. There are two things that you are really going to look at when you are deciding how you want your report to be delivered to you. You have to take into consideration format and content. Let's take a look at this screen in COD. I am going to go to the school tab, you can see that, and then the summary financial info is where I am selecting as well where I can see this. Here are my different options that I'm allowed to select right here. You notice at the top there in my report format, you see that fixed length is a format that is defaulted to right here. You have different types of format you can use. Fixed format, you have common to limited, common to limited with headers, and you have pipeline to limited. The truth of the matter is, fixed length, if you decide you want to use those direct loan tools like that comparison tool that I was talking about earlier that is really going to be super helpful, it has to be fixed length in order for you to use to create those kinds of report so you know. If you want to get really detailed on the other types of formats, that is when we ask you to common to limited, these guys will be waiting to talk to you about that after the session. You can also include in your reports the names of borrowers, but I've got to tell you, if you are going to go with fixed length because you want to import data into direct loan tools, you're not going to be able to have this option available to you if you use fixed length. It is available for all other formats. Then, of course, we have the report activity type. Again, you want to tell the system, do I want to receive monthly reports, remember I told you what that consists of, the year-to-date reports on the SAS, or you can receive both. Again, if you are going to use direct loan tools, you are going to have at least year-to-date to do that, it is going to require year-to-date information to import that or both, and it will still work. Then, we get to the summary by loan type. We showed you what that was. If you want to include that in your report, great, just go ahead and indicate yes, and if you don't think that is necessary, go ahead and put no. Then, we have the disbursement detail. Do you want to receive that monthly? Do you want to receive it broken down on a monthly or year-to-date, or both. I gotta tell you, the disbursement detail, if you select yes on the monthly, you are not going to have the loan level option available to you, because the truth in the matter is that you are not going to need it. Each disbursement activity is going to be broken down, and each disbursement is going to be associated with the loan ID, so you are going to know anyway by combining those two disbursements what the total sum of the loan is. And, since you are doing a monthly report anyway, it's the disbursement detail that you really want because you are going to compare against disbursements that occurred during that month, that entire loan.

Everything that I'm going to show you right now, this is the SAS, remember this is data that I'm going to go through all of these reports, this is data that COD is showing which you have as far as what COD is showing as far as drawdowns and disbursements. Here I have my first cash summary statement that I told you about earlier, and notice it is year-to-date. The first thing I want to point out to you is this beginning down. You notice how it says zero up there, but beginning balance of zero. It makes sense, at the beginning of the award year, I haven't drawn down any funds at the very beginning and I have not made any disbursements yet at the very beginning of the award year. It makes sense that I am going to start off with a zero for the beginning balance. You can see here that



I have my net draw downs, my cash receipts, the funds that I have drawn down, minus those funds that I have, the returns of cash that I have made through the G5 system. My net drawdown amount of \$11,724. Then, what I'm going to do is I have my net booked disbursements in the amount of \$4,471. Notice the net booked disbursements. It is now being subtracted from my net drawdown so I have an ending cash balance difference of \$7253. I have drawn down \$7,253 more than what I am showing that I have disbursed in booked disbursements. I want you to notice here, I have these unbooked disbursements that are actual. Because they are unbooked disbursements that are actual, guess what, that means that these are processed and accepted disbursements, so how can they be on book, that means I have the loan origination record, a master promissory note, but they are also calling them actual. What do you think these are? Future dated. If you're thinking, hey listen, I have these disbursements, I know they're going to happen. They probably happened April 30, they so they are going to happen very soon, so maybe if I'm thinking here during the reconciliation process, I know this is going to happen, so technically I can kind of subtract the \$3,264 from that \$7,253, and really if I think about it, I have as far as cash to this greater than what has been accepted in posted disbursements, remember I said that being the \$7,253 was \$3,989. That is the excess cash that I have but you note that we are careful not to call that the ending cash balance because I don't care, not until that loan is booked that I am going to subtract it really from my ending cash balance. You are going to have to track that until it actually occurs. That is my year-to-date. I will talk more about that later.

Here is what my cash summary monthly looks like. Let's go and look at that beginning balance. Notice I do have a figure here. This is monthly, \$3,264. All they are saying, the reason why I have a beginning balance on this one, is because whatever was remaining from the last at the last SAS is going to be carried over to this month, so that is going to help you with that. Notice the figures for the net drawdowns and the net book disbursements, that is all the activity that occurred for the month of April only. It is not year-to-date. So, you really narrow it down. This is what I am showing that I had drawn down, showing what I disbursed for that month only. Then, my ending cash balance, I want you to notice that that is still the same, that doesn't change, I'm always going to have regardless of the year-to-date or monthly, it's still going to show you what you're actual ending cash balance is.

Remember I told you about this disbursement summary by loan type. This is what it looks like, exactly the way I described it to you. I don't know if you pictured it this way. I think I did a good job, maybe I didn't. Again, it has a breakdown, not only between what you have in booked disbursements for the last month in subsidized loans but what you have in unbooked as well as the fees and rebates for each of those loans. They really give you a great breakdown here.

Then, we have cash detail. Again, this is what COD is showing what you have drawn down and what you have returned for this last month. You can see the receipts and the refunds of \$8,985 to \$4,089, so you can actually get a report of all the activity that COD is showing that you had done there. Pretty simple. All the details. You will be able to



use that to compare against your own school records later, and you will get to see that in action. Now I have my loan disbursement detail. Again, just what it sounds like. Here is my report. This is done on a monthly basis in this particular case, and in this case, it will break it down into sections. Here are all of my booked disbursements that were made during the last month, and they will break it down like this. See how this is not hard to read. It really breaks it down really well for you, letting you know who you disbursed loans to during that last month. In this case, we are showing unbooked loans. But, again, there would also be a section for booked loans. This is what COD is showing, we are really going to break it down for you. You will see how all of this comes into action in just a little bit.

Again, we have the COD web school summary. You go to the COD website, click on school financial info, I said that wrong the last time, it was in the initial picture. Here's the screenshot. This is real-time. This is at the time that I open it up. It is not data through the end of the last month. It is data up to the last time the COD gathered that information. This is what that screenshot looks like for you. You can see that it has all the right information you get for your cash summary, that you can compare it against right away. In the middle of December, you can't wait for that report, where do I have it now? One of the things looking like right now has all the same stuff, the net drawdowns, the net disbursements, and my ending cash balance as well as unbooked disbursements. It is all real-time information from the time that you open it up. That is going to help you a lot. A lot of schools use this.

After receiving this SAS report, again, we start our case scenario. There are two things that you should have noticed right away. They should have asked you the big question why. Why do I have an ending cash balance of \$7,253? That is something I need to look into. These unbooked disbursements, although I kind of used a little bit of logic because they are [inaudible] everything else. I don't care. I still need to look into that and make sure I understand why those are unbooked as well. These are the questions after looking at this report that I should be asking myself to begin the reconciliation process.

Let's talk about the process of what I'm going to do, now that I've received my SAS and I've looked at it, you looked at all the details. I'm receiving my SAS at the upper left hand corner. What I'm going to do is I'm going to compare this summary. I'm going to compare all this SAS report against my own school records. What I'm going to do is I'm going to do some things by using for instance my direct loan tools to create my own cash summary, to create a listing by importing data, for instance maybe I'm using a cash management tool through direct loan tools and import that data for this report and import also some data from my financial aid system to create my own cash summary, so I have my net drawdowns and I have my net disbursements, thereby creating an ending cash balance. I am going to be able to create my own cash summary report to compare it against what COD has, and I'll show you that in a little bit. Hopefully, all of this matches, meaning that I'm able, when everything is compared against my own internal records and hopefully I have a zero ending cash balance, and if that is the case, then I'm done. If I compare the two, as long as I have an ending cash balance existing,



I need to start doing a comparison, I need to start my reconciliation process and start drilling down. Remember I have this cash component, the amount of funds that I have drawn down, I might have a discrepancy between what my system says and what COD is showing. I have to do a comparison of cash detail with my own school records against what COD has. Then, once I find all those issues or all those discrepancies and resolve them, I need to make sure that I do not have any discrepancies in my disbursement side as well. Then, I'm going to do a comparison between what COD has as far as disbursement activity for the previous month I guess with what I am showing in my own system for disbursements, and wrestle with that, find discrepancies, resolve it, and then go ahead. If I am able to resolve it, that's great, I get to move on and do documentation, document it and then I'm done. If I don't resolve it, then I need to go back to the drawing board. Maybe that is when you need to call Randy up here. So, that is where Randy might come in and help you.

So, that is the process itself. We are going to go through it now. We are going to do a cash summary comparison. Everything I showed to you up to this point shows you everything that COD has, that is what that report was all about. I am going to show you some reports that I am able to come up with through direct loan tools. Through direct loan tools, I create my own cash summary from my school records. I told you, I recommend you go to direct loan tools to learn how to do this. Again, from my cash receipt, refund of cash, my net cash receipts of \$10,099, I'm importing that data maybe into direct loan tools to get that data from the cash management tools to get that data. Then, from my financial aid system, to get all of my disbursement data, I'm importing data from my own financial aid system to get my disbursement data here, but notice this particular report, this made it so my total net disbursements not only consist of my booked but my unbooked as well. So, they just went ahead and they did that. They are saying my ending cash balance really is \$1,152. Do we have a difference between what the SAS was showing earlier, their cash summary and our cash summary? Some work needs to be done. What I'm going to do is I'm going to do is I'm going to take my own cash summary and I'm going to take all that data and I'm going to put it right next, see that is my cash summary data that I created over here in the financial aid system on the left hand side, this spreadsheet, you might want to do this, something similar in nature, it is up to you, we don't tell you how to do it, and then I create on this right hand column all of my COD information that I have gathered. I look and I compare and I put them right next to each other and I see what are the differences between the two. I notice, yeah, we're in the hole. My refunds of cash, the financial aid system is showing that we had \$725 returned that COD is not showing. Do you see that at the top? Then, I come down here in disbursements and okay, booked disbursements okay, but my booked adjustments, COD, how did that happen? COD is showing that I have an adjustment in booked disbursements but my system is not showing it for the amount of \$1,250. My brain should be spinning at this particular point in time. Then, I come down here and I see another difference of unbooked disbursements, that is where it doesn't match. I'm showing, I had \$4,126 in unbooked but COD is only showing \$3,264, so I have difference of \$862. The first thing I'm going to want to do is I'm going to try to get my system to match the FSA system. I'm going to attempt to see where the discrepancies are. The first thing I'm going to do, again we have identified the



discrepancies, I kind of walked through what each of those are, you know what they are, again ask the question why on each of these particular issues. I have identified what those discrepancies are.

Let's start off with the cash part. Remember, the cash part had a discrepancy of \$725. We are going to start off with the cash detail comparison, the cash side of things. Let me tell you first before I go into that and we look at the case scenario any further, what some of the common causes are for cash discrepancy. We have this timing issue. Remember I told you that that report is good until the end of the month, let's say of this month, of November, and let's say I get that first, that SAS report next week, Monday, which I will, on the 7th, and I finally get around to doing it because I am really proactive on the 8th, the very next day, because I am really gung-ho. I start out on the 8th, and I go ahead and I draw down and I go through my direct loan tools and I import my data and I create my own cash summary, remember I have some timing differences. I have data that is probably at the time I create my own cash summary through the 8th of December, and over here I have my SAS report that I have imported data to, that is only good through the 30th of November. So, remember, there is going to be for cash, we might have some timing issues. I may have drawn down something in between that time. Then, I have cash transactions in the wrong year or split between years. Now, let me recommend this, and I mean this sincerely, there is a session out there, well first of all you really should attend Direct Loan Problematic Primer Session, because they are going to show you in that session what your business office, the screenshots that they are looking at when they actually return a fund as cash. Even when you go into our direct loan system session, they are going to show you that screenshot. They are going to go into G5 even more and they are also going to show you that screenshot that they go into where they have to actually draw down funds. It is really easy, if you're not paying close attention because you have two open award years open, remember, I'm just going to pull in from last year's award year and think I'm pulling it down for this award year. Once you start doing that and you're not paying attention, you're drawing it down from the wrong award year, I can assure you, you are going to be banging your head against the wall and you just can't figure it out. I know I drew it down. It is showing up in my account over here but it is not showing that I drew it down for this award year. Look at last year. You probably drew it down from that year. This is a big common error. Also, you're going into the wrong screen. Again, I want you to see the different screens. This is what your business office is doing. They are sending funds as a refund of cash that should have sent as a payment on a different screen. They are almost identical in nature or similar in nature, so they are in the refunds of cash, return of cash, and they think they are drawing down funds and instead they are actually sending money back. Not a good thing. Pay attention, I need to pay attention.

This is interesting. Funds recycled for disbursement at a different award year. Remember, you Pell folks, stick with me on this. Remember, funds that you draw down and they do not become borrower specific until you actually disburse those funds to that particular borrower. Let's say I draw down funds because I know in two days I'm going to disburse maybe \$2,000 to Peggy Sue, in two days. But, oh no, guess what, Peggy Sue does not have a linked master promissory note, I can't disburse it to her but I've



already drawn down that money. Okay, what am I going to do with it? I can either return it, but wait, I notice that Bobby Jo, okay she could use \$2,000 and I could disburse it to her as well, so I'm going to go ahead and recycle that and give it to her instead. So, I have that flexibility that I don't have to return that money but rather I can recycle it and give it to another student if I want to. Let's say, Peggy Sue is in award year 2009-10 and is a crossover turn and Bobby Jo is award year 2008-09. Can you see the problem? Pay attention to what award year your student is in. It get ugly, it can.

Let's move forward. Cash discrepancies research tools. Let's talk about the tools that you can use to help you deal with those discrepancies in cash between the COD and your internal records. You have this cash detail comparison report. This is where we are going to use direct loan tools. You can see it in action. It is kind of cool. I love it. You are again be able to compare, use this tool to compare COD's cash detail records against what your own cash detail records say from your own internal records and bring them in and they are going to try to do a match between the two. You have the cash detail report. You already saw that. Certainly we are going to use that as a part of this process. We have to, to compare it against our own records. Like I said, that cash management tool. By the way, we have a cash management session and it tells you how to use that tool in COD and to create that, so that you as a business office can even grab that data and import it without having to go over and tapping somebody on the shoulder and asking them to give it to you.

You have the COD website. We already showed it to you. Real-time information. I'm going to be able to use that, maybe I have some timing issues, I can go ahead and look at that real-time information. Then, I have my business office cash report. What is the business office showing as far as drawdowns. What are their internal records showing? Then, I have my bank statements and canceled checks. Hey, if it's good enough for the auditors, it's good enough for you, right?

Let's look at that first cash detail comparison. Remember, we saw what the cash detail was before. We imported that data as well as our own data, and we did a comparison. This direct loan tool is able to do a match of all of the drawdowns and the refunds, and it said, hold on, we're showing COD based on the data that you imported from last month's SAS, we don't have this match for that refund that occurred on April 29, 2010, by the school. What you want to do is you want to look at your own records. You want to say, well did that really happen? I'm showing \$725 that are unmatched. By the way, how much was I off as far as my cash discrepancy? \$725. Yeah, that is why, collect data from here. So, we have this unmatched refund that COD doesn't have, at least by the end of the SAS report. You go ahead and you create your financial aid cash report, maybe you are using that cash management tool to import that data, and so you say, yeah, I want to make sure that this actually happened as far as my own records are showing what we did in G5. Yeah, we are showing that we did a refund on 4/29/10 for \$725. Hopefully, me, I'm thinking this was 4/29, maybe this is a timing issue, because that is when I did the refund, maybe there was a period of time, remember it gets sent out to G5, then COD comes in and gathers it, and then it has to process it. So, maybe



what I want to do is I want to go to the COD website. That is what I did here. Sure enough, look at this. There was on May 1, on the other side of April 30, there is a refund amount that was applied of \$725 on 5/1/10. I want you to notice here that this is under school and I went into refunds of cash, so I can take a look at that refunds of cash activity in COD, so will show me all the data up-to-date that has occurred pertaining to that particular issue. Let's say it is a draw down issue. Maybe you drew down some funds. Maybe there is a discrepancy in what you are showing was drawn down. I can't go to refunds of cash. Maybe what you want to do is you want to go to that next one, cash activity. This will not only show you any recent activity that has happened. This is really good. If you go to systems, it will actually explain this whole screenshot. It is kinda cool, where you get to scroll across and look at all activity further back through the year. Here, sure enough, if it were a drawdown, you would see that and the cash activity if it were recent as well under this particular screen, in this case we are showing the \$725.

Let's go back to explain our discrepancy. With the cash side, we now drilled down, we did a comparison with our cash detail. We found out what the discrepancy was and now we know what we need to do to resolve it, right? I'm going to go ahead, I'm showing \$725, refund of cash on 04/29/2010 for \$725 to COD, yeah, sure enough, we did that on 4/29 but it wasn't processed on COD until 5/1/10. Maybe that is how I want to document this, maybe on the same spreadsheet. My documentation discrepancies. I am going to document this. Again, I don't care how you document. You can do it on the same spreadsheet right next to where the discrepancy is, and you might do something like this. I have a discrepancy here, this is what it was for \$725, and this is what happened, COD received and processed it on 5/1. But what I need to do is I also, this is really important, I have this action item list and I want to create an action item list. We all know that in our jobs we have to do a lot of multi-tasking. We have to keep track of a lot of things. I recommend that you create this action item list. Maybe you are doing it already, where you say this is something I need to do to follow up. This is what I need to do, this is when I want to get it done, this is the date that it actually gets done. Lastly, action item list. This is what I want to do to follow up on this to make sure I can do it. In this case, I want to look for and track and to make sure it shows up on my next SAS report. If it does, I'm good, because of the timing difference.

We resolved the discrepancy on the cash detail. Now, let's look at the disbursement side of things and drill down on the differences between FSA and our financial aid system on disbursement detail. Again, I'm going to get to use that same tool that I had before. Let's talk about the common causes first before I go into that. Let's talk about common causes. These are the common causes that we run into when we have disbursement discrepancies. We have this unsent, unacknowledged disbursement batches. For those of you, for instance, you use EDExpress to send out data and return it back, you can batch that data, but until you actually transmit it through EDconnect, it is not going out to COD. Until they actually receive that or acknowledge it, what you want to see if an accepted response from COD. It might just be still sitting there batched, for instance. Rejected disbursements, we're already used to this, we get rejected codes all the time. We get those reject codes that tell us what we need to do in



order for us to fix this. Until we fix it, we are not able to report that to COD. We have disbursements recorded in the business office but not in the financial aid system. Remember, your business office, before they draw down the funds, they are going to have their own disbursement detail in which they are using to calculate the amount of funds that they are going to draw down, so they are going to have their own disbursement detail, maybe even a disbursement roster. Let's hope they are sharing that with the financial aid office, because if it is not in the financial aid office, you are not going to be able to make sure those loan origination records are being built, to be transmitted out to COD so they have it on their end as well. Also, unbooked records. Remember, unbooked records, if we are missing any one of those three components we are not able to book that record and that is what is going to make the final difference on my ability to reduce the ending cash balance. Until we get those booked, we are going to have a discrepancy. School data loss. This doesn't happen a whole lot but it does happen. I have data in COD but I'm not showing it on my system. Let's take this for instance, if you go to the Direct Loan Systems session, they will show you how you can go directly into COD and do things like build loan origination records real-time. You don't have to batch lot or anything and it is done but you do it one at a time. Or you can make adjustments on disbursement right away and it is done right away. That is great because you want to get it out of the way. But unless you tell COD to send you a response back to your school, your system is not going to have that data. They are going to show you how to make sure that happens, by the way, at the Direct Loan Systems session. Now, I have it in COD but I don't have it in my system, so I'm missing data on the school side.

I have disbursement discrepancies. Some of my research tools that I'm going to be able to use, similar in nature to the cash really. I have a disbursement detail comparison report that I'm going to be able to create through direct loan tools. A great tool, awesome tool, we're going to see it in a little bit. My financial aid office disbursement report, this is what my office believes should be disbursed for this particular period of time, as well as my business office. They have that report that they had to create in order for them to make that drawdown. Then, I have my SAS disbursement detail. Obviously, that is what I'm going to compare my own internal records against and use to create my detail comparison report. Again, the COD website because I am going to get real-time information. I even have a section in the COD website where we are going to get real-time information on my awards and disbursements. Really cool, so I can get real-time and compare it against right away. Again, once again, the devil is in the details of student account files. Take a look at those. Sometimes a discussion between you and the business office, you might have different information, especially when you start doing that recycling deal, they didn't tell you they gave it to somebody else. Of course, the business office ledgers and statements of account, you can use those to compare against disbursements.

Let's look at this first tool. Remember, we have our SAS disbursement detail that we are able to import in. Now, we are able to use from our own system whether it is EDEXpress and import what your own system says that you should have for disbursements for this period of time as well. By using this direct loan tool, I am able to



do a comparison. What is going to show up in this report, it is going to show me all of those records, those booked disbursements that do match. It is a good thing to have. Now I know that what I have here is what they also have here in COD. That is all good, but what is important is that part that says I don't have this, this is not matching over here. I'm showing that I have this in COD but I'm not showing that I have it on the school side. I want you to look at this. This is not matching. In other words, I don't have something matching from the school side with this so it unmatched as far as my booked disbursement is concerned, and look at what it is. Notice this number 66 and 67. Now, these are sequence codes. Sequence codes between the number 66 and 90, these are sequence codes that are used exclusively for any activity that is done or any transaction that is done directly through the COD website. If you see anything between 66 and 90, that means somebody went into COD and they processed it there, but guess what, remember I don't have this on my school side, do I? That tells you right there, look my \$1,250, I'm finding it.

Now I look at my unbooked records that are matched. So, I look at my booked records and what is matched and what was unmatched. Now, I'm going to look at my unbooked records that are matched. Okay, this is all good. I have some matching records for Charlotte York and Miranda Hobbs equaling \$3,264. Good. COD has it, I have it in my system, everything is right as rain. Then, I take a look at what is not matching using this tool, and sure enough I have some school records that are not on the SAS that I have in my system. What is going on here? I have this on my school side, not matching the COD disbursement of \$862 in unbooked disbursements. I have that on my school side but I don't have it in COD. I need to find out why, what is going on. By the way, that came up too, the \$862, the discrepancy that I have in my unbooked disbursements. So, I was able to find out where it was by using this comparison tool. Great tool.

I go ahead and use my school disbursement report. Now, I was able to get this as a result of using something that is available through EDEXpress, which will show me basically my disbursement data for Jesse James. Sure enough, look at this disbursement for \$862, it is B status. What I should be looking at is A status showing that it was accepted. So, I kind of cheated, I know. We batched this one up but we did not transmit it to COD. So, we know now because it is in B status. From those that did match, sure though, I have an acceptance status. That is what I want to look for is that acceptance status that are unbooked. Here it is, we break it down, we have the \$1,632, and look at my date for the unbooked, now I know really why to run booked is because these are future dated disbursements. The day has not come by yet. It has been accepted. It is May 5, 2010, and remember it ended on April 30 for this particular student, and the same thing with the next one, May 5, 2010, the date has not come to fruition so it is not showing as a booked disbursement. Once that date passes, it will become booked hopefully. So, it equals our \$3,264 in unbooked disbursements.

Let's take a look. We found all of our differences. Remember, we already did the cash lab, but let's look at the disbursements. We notice where the \$1,250 was, why we have it in COD and why we don't have it in the school system is because someone did it at the COD website, made the adjustment in the COD website. Again, the \$862, why it is



not with COD but it is with us is we forgot to batch out that particular disbursement. We know that \$725, \$1,250, \$862, we know where all of that is now, don't we. Again, let's go ahead and document our discrepancies, what the differences were, what the issue was, how we resolved it, how we are going to resolve it. Here is our action item list that we have to follow so that we follow up on it later on. These are things that I need to do to fix it. Make sure you have that check-off list, and not until someone signs off on that is it done, make sure you assign somebody to do that. Wholly responsible.

That is our action item list. I thought we were done. We are able to reconcile our financial aid system with our COD system, weren't we. But, wait a second, you thought you were ready to go. No, I'm not done with you. We still have an ending cash balance. All I did was I reconciled things between my system and COD. Let's look at our ending cash balance. Remember, I have \$7,253. Remember that downward adjustment and disbursements, remember COD already had that so I'm not going to subtract that amount. I already have it subtracted already on the COD side. I am going to take from our ending cash balance from the \$7,253 that I had, that \$725 is a result of the timing difference from the cash side, the \$3,264 that we know is going to happen on the future dated disbursements, as well as the \$862 that we need to send as a disbursement out to COD. After I subtract all of that, I am still missing \$2,400, even though my financial aid system is matching with my FSA system, I still am showing an ending cash balance now of \$2,402. You should be asking yourself why. It is all because the process isn't done. Remember, I'm doing a lot of reporting of disbursements from the financial aid side. Just because my financial aid is matching COD, it doesn't mean it is the same thing that my business office has. This whole time has been strictly financial aid office work. I have not been talking to the business office yet. What I need to do is I need to do an internal reconciliation between my financial aid office and the business office to find that \$2,402, where is it. I am going to develop some procedures. Please, write some procedures so you have something to follow in writing and then schedule it and assign it to somebody. It is a good way of making sure it gets done on a monthly basis. Overall, what you are going to do between your office is your internal reconciliation between the two offices. You are going to do a comparison again of that cash and disbursement detail to see if there is something missing there. Typically, it falls on the disbursement side just so you know, or typically it falls also on that student detail and who is getting what, that sort of thing. Troubleshoot your discrepancies as a result. You go to the business office and say, hey, what are you showing as far as drawdowns and disbursements for this month. What we are showing, we had drawdowns of \$13,074 for so-and-so, we have a net cash drawdown of \$10,099. As far as we are concerned, we have \$12,249, an adjustment of \$1,250, so we are showing our net cash the same as our total disbursement. You know what, they should because if they are not showing that the amount that they have drawn down on their side does not match the amount that they are showing should have been disbursed, they should have returned it. That should be under the returns under the drawdown section. That is when you are going to them and say, how did this happen, that is not what we are showing, so let's compare the differences.



Here's my business office detail report information. Remember how I compared my financial aid against COD. Forget that now, we already did that, we fixed that. Now, I'm going to compare the school's business office against the financial aid system and look at the differences between the two. Everything looks good on the cash side, doesn't it. That's great, nice. Now, I just need to focus, but look at my disbursements. They are showing \$12,249 were disbursed as opposed to what we are showing, \$9,847 that were disbursed. Now, remember we never had adjustment in disbursements even though they are showing where it is, that they have it, so that \$1,250 is there, although we are going to look at that specifically as to where that came from. Remember, we are looking for \$2,402. It looks like we found it, the difference. We are going to have to find out specifically where it is. We already knew about this downward adjustment, but let's look at where the bursar's had that downward adjustment and disbursements. We are going to ask for their own disbursement detail. What are you showing disbursements, who they were supposed to go to, and any adjustments that were made for this period of time. They are going to give you the detail. They should be doing that. They can't just be making up a number out of the air, right. Sure enough, here they are showing that downward adjustment that you already knew about that was in COD, done through COD of the \$1,250. They have all these disbursements with the loan ID's attached to them, in this particular case, that they can associate it to. Now, you might use names or however you want to do it, the simpler for you. We are going to take their disbursement detail and compare it. Notice, my business office disbursement detail right here and our financial aid office disbursement detail here, we already know about the \$1,250, we know where it is at, it was done in COD. Let's find that \$2,402 in disbursements. There it is. Look at this. May 5, right here at \$345, May 5 \$1,287, right here, \$770, add that up, shock, \$2,402. We came to the conclusion at this particular school that we are going to blame it on the business office because that is always fun to do, that they didn't give us a disbursement roster that consisted of these three different disbursements so we can get it into our system and report it to COD. We found the money, \$2,402. Now, when I go back to my ending cash balance, I take that \$7,253, subtract all of those other components, and now I found my \$2,402 because I'm going to go ahead and now build those records and batch it out or send it out to COD so that they have it and everything is going to be right as rain as a result. I have accounted for my ending cash balance. Don't we feel good now.

Now that we have done all that, we get to make sure that documentation is done. Remember, you are required to do the documentation. We don't care how you do it. Remember, you're not going to send us that documentation on a monthly basis. You can do your documentation however you think it is necessary, but you can see how important it is to do it so that you can track things. Until you get to the end of the year, you're not stuck with a huge mess. In this case, we used our spreadsheet concept and we saw those differences between the different components of drawdowns and disbursements and documented it. We actually went through that. You notice how I talked about documenting it. I kind of told you all this stuff at the beginning and we went through this whole process. We don't care how you do it. In this case, we just included in our spreadsheet. I actually built this spreadsheet. It wasn't hard. It was fun. I just wanted to blow it up so you can see what we did here. This is all I did in my



documentation. I did a comparison. Yeah, there was a difference between my financial aid office system and my SAS, and these were the differences, and why I had a difference between the financial aid system and my ending cash balance according to the SAS. I did this other thing here, saying well these are my reasons for my ending cash balance of \$7,253. You know \$725 was a timing issue with my cash. I go down as to all my reasons, making up for the full \$7,253. Maybe I want to go ahead and talk about my unbooked disbursements as well. I looked at my unbooked disbursements as well and tell him well this is why this needs to be included in my ending cash balance even though I had it in a previous part because it was future dated, and I have a difference of \$862 that I still need to send out to COD.

I have done the documentation. It is all done. Remember I was telling you, action item list, to make sure that you follow up on doing all of these things such as sending the data to COD or getting information adjusted in your own system that is already in COD, that sort of thing. So, you create this, we have this action item list that will kind of help you with that. It is just basically a check-off list, and when is it done, assign somebody to get this done, hold them accountable. Once you get it all done, it is all done.

How do I know that I am finished with my reconciliation process? Well, really all this is, this is kind of a check-off list of everything that we did today. I recognize as a result of doing my comparison of cash and my disbursement details, I found all discrepancies and identified them so I could resolve them. I made sure I track all of my timing issues that might show up on my next month's SAS. Remember, I saw some timing issues, especially on the cash side. And any reasons for ending cash balance have been identified. I kind of itemized it and say here is my ending cash balance, this is where it came from. Then, I make sure that everything is documented. And you're done. Wonderful. Yay.

Here is some additional information. I have monthly reconciliation and other report tools. I just want to throw this in there. I already talked to you about that 30-day warning report and how that can help you. One of the things that I threw in there you saw was my disbursement report that I was able to drawdown, for instance from EDExpress so I can see that disbursement status. Keep that in mind. I am going to recommend that if you really want to get a good feel for all those reports that are out there and how you can use them and what they are used for and you can figure out how you want to use them for your own school, attend the Direct Loan Reports session here this week. Lock it down, good stuff. Also, just for your own reference, we need this number, right? Call the customer service folks. You can call customer service. This is also the number you are going to call in case you want to talk to somebody like Randy here who is going to help you out.

I'm told to stop, and that's okay because I'm done. If you have any followup questions, please feel free to contact us. Thank you very much.