

*Alison Richards:* My name is Alison Richards. I work in the U.S. Department of Education's Internal Controls Division. I am the School Reconciliation Team Lead, and my co-presenter, Tracy Lardinois is also part of the School Reconciliation Team. Ron Ackerman, who is the Reconciliation Branch Chief, is in the front row and can help out with questions at the end if you should need to come up and ask a detailed question about your school. Many of you may have been involved with Direct Loan Reconciliation in the past, and you may even have attended one of our Reconciliation webinars or previous conference sessions that walked you through a case study of the reconciliation process for an example school. Have any of you been to one of those sessions?

Just a few, okay, others are brand-new to the Direct Loan and the Reconciliation process. Do we have any new schools or individuals new to the process? Quite a few more of those, what you all have in common is that you are looking for information and available tools to help you with your monthly reconciliation and to make your annual program-year closeout a smooth and easy process. The purpose of this session is to take a step back from that reconciliation case study concept, and look at reconciliation and closeout at a higher level. Reconciliation is much more than just data matching and then researching your discrepancies.

It is an outgrowth of everything you do to perform and to monitor your daily, weekly, and monthly direct-loan activities, so, with that, I'm going to turn this over to Tracy, and she's going to walk us through the agenda in the first few sections of our presentation.

*Tracy Lardinois:* Thank you, Alison, for that wonderful introduction. Good morning, everyone, I'm glad you made it here. I'm going to go ahead and just get started because we have quite a bit of material to cover and wanted to leave lots of room for questions at the end, so let's go over the agenda. First, we're gonna do an overview, and in that overview, thank you, *[laughter]* we are gonna, hopefully, answer, probably, two burning questions that you might have, and that is, "What is direct-loan reconciliation, and what is program-year closeout?" Then we're gonna look at the processing concepts, and how they affect your reconciliation and closeout.

Third, Alison's gonna discuss, in greater detail, monthly reconciliation with an in-depth look at your school accounts statement, which we usually refer to as the SAS. I don't know if you've heard that mentioned in other sessions this week, yet, but it's the school accounts statement. She's also gonna look at common discrepancies that you might find in cash and

disbursement information, and then she will look at the documentation of your reconciliation efforts. Finally, she's gonna describe the processes that you go through to do program-year closeout, and she's gonna go over some correspondence that you will receive in relation to the closeout. All right, let's get started on the overview.

All right, I'd like to see a show of hands of how many of you actually balance your checkbooks every month with your bank statements. Very good, *[laughter]*, um, when you do this you are actually performing reconciliation. You are taking those deposit slips, those receipts from your debit card, your checks that you've written and you're looking at all that information, and you're determining how much you have in your account and you're comparing that to your bank statement that you get from your bank, and if you see any discrepancies, you're looking at those, and you're trying to resolve those. That, in essence, is reconciliation. Now let's look at reconciliation as it relates to the Direct Loan Program.

This is the process by which the direct loan cash balance recorded in the department system – can anybody tell me what that system is?

*Male 1:* COD.

*Tracy Lardinois:* Yeah, COD, very good. Yup, that's our department system, that's our system of records, and you're gonna take that information, and you're gonna compare it against your school internal records. Now how often do you need to do this? Monthly, very good, yup, recon – regulations require that you reconcile monthly, and to help do this, the department's going send out the School Account Statement, the SAS, and that is like your bank statement, and you're gonna use that to compare with your internal records and resolve any discrepancies and let us know what those reasons are for the ending cash balance. The final step is to document, okay? You will need to document your reconciliation efforts. Alison is going to go over that in greater detail. She's gonna talk about the SAS and how you would document that, and she is definitely our school accounts statement guru, so she'll be able to answer any questions about that at the end, too.

All right, now that we've defined reconciliation, let's look at the three key systems that a play a role in reconciliation. We have your Financial Aid Office, your Business Office, and COD. In my earlier example of balancing your bank account, and comparing

that against your bank statement, we had two parties in that example. I'm gonna take this a little further, and I'm gonna talk about a marriage relationship, so you have your husband-and-wife, they need to communicate with each other and talk to each other about, "Oh, what did I use my debit card for, did I write any checks? Did I make any deposits?" That's kinda like your Business Office, and your Financial Aid Office.

They're kind of married together and they have to work together to make sure that their internal records are balanced, and they also need to, then, compare them against COD. You'll notice G5 is kinda hanging out there on the side. When a school draws down funds, that information is actually going to get passed to COD, so COD is basically your system of records. It's gonna have everything you need to recognize against. They are gonna be able to use that information to calculate our ending cash balance, so they are like your bank statement.

Okay, we've defined Direct Loan Reconciliation, now let's look at Program Year Closeout, and hopefully we'll answer that question, "What is Program Year Closeout?" Really, it is just one more month of reconciliation. It's an extension of your reconciliation process. There is one key difference however, and that is that you will need to make sure that your ending cash balance is at a zero balance. You will need to make sure that you have no outstanding funds with the Department of Education.

Now this is different than your monthly reconciliation because you won't always have a zero ending cash balance every month. We're not asking that you have that, we're just asking that you make sure that you account for any ending cash balance that you have, that you know why you have it. All right, when – when should you complete Program Year Closeout? You should be able to do this soon after you made your last disbursement in your award year because really it is just an extension of your monthly reconciliation. Now we do have a final deadline and that is the last business day in July of the year following the award year, so for 2009, and 2010, that's gonna be 7/9 of 2011, and then for 2011/2012, that's gonna be 7/31 of 2012, okay?

Now you'll see a little note at the bottom, and Alison's gonna bring that up for us. This is really an important note, so circle it, put a little star by it, we really should've bolded it on this slide because it says that "the 30-day reporting requirement supersedes both reconciliation and closeout requirements," so what is this 30-day requirement? It means that you must report actual

disbursements within 30 days of the disbursement date, and why is this important? Well, for one thing it's a regulatory requirement, and, for another reason, it's better for your borrowers. If you delay in sending in those disbursement records then your borrower cannot receive any correspondence from servicing because servicing doesn't even know that that disbursement or that loan exists, so they cannot correspond with them, and that also means that interest could start accruing on that borrower's account, and they're not able to pay that off.

Okay, let's move on. To truly understand the Monthly Reconciliation process, we need to take a step back, like Alison said, and look at your daily processing because that's where it really starts. We're gonna take a quick look at the overview of the reconciliation cycle. This diagram shows the flow of data through the various different systems. Now you may do things a little bit differently at your school but I think the concept will be basically the same. Let's start off with the Financial Aid Office.

They're gonna determine your eligibility and they're gonna send that reward information over to the Business Office, and they're also going to send that to COD in the form of an award record, or you'll hear it referred to as an origination record, and in that record, they're gonna have anticipated or pending disbursements. The Business Office is gonna take the information from the Financial Aid Office, and credit the student's accounts, and also do a drawdown through G5. After they've credited the accounts, the Financial Aid System will report those actual disbursements to COD, and G5 will send that drawdown information to COD as well, so you'll notice that COD is really, truly the system of records. It's our official system, and it contains not only the book disbursements that you've sent us but also the net draw downs and payments from G5. Okay, let's take a look a little more closely at net draw downs and payments.

Net draw downs and payments equals your cash receipts, which includes draw downs and draw down adjustments minus any refunds of cash, which is refunds plus any refund reversals. Let's look at cash receipts. These are funds that you have requested through G5 based on your pending or actual disbursements that you have made. You will receive those funds and you will deposit them and they will be deposited in a direct – in your Direct Loan school bank account, and that bank account can be used for other programs as well. Many of you are familiar with the term Immediate Need, it means that you must only draw down funds that you can use no later than three business days following the

date that you've received those funds, and there's a citation at the bottom, so you might wanna take note of that that gives you some additional information on those regulations. Now I'm gonna make a quick note here that's not on the slide and this is because this is a little bit different than how it used to be in the FFEL program.

Cash receipts are actually not borrower-specific but they are award-year-specific, so I'm gonna give you an example of this. We've got Ron down here, who's the chief of the Internal Controls, and he needs to take some more accounting classes, and he's decided to go to your school, so you draw down and -- \$1,000.00 for him. Well, at the very last minute, he decides, "Uhh, maybe I don't need those accounting classes," and so Alison is sitting there and she really does wanna go to school, and so she's all ready to go, she's an eligible borrower, and so you can go ahead and disburse those \$1,000.00, that \$1,000.00 that you were gonna give to Ron to her, so you can reuse those funds as long as you're doing that within those 3 business days of the receipt of your draw down, and then -- and if she's eligible, so okay, so you can reuse those funds, and one thing the Business Office might want to think about is if you do that, when you go to make your next draw down, you're gonna wanna make sure that you deduct that \$1,000.00, otherwise you're gonna draw down too much money, okay? Let's look at Refunds of Cash. The reasons for Refunds of Cash or that you've received more funds than you've disbursed. Like in my example maybe you drew down that extra \$1,000.00 that you didn't need.

You've had to do an adjustment to the borrower's account. Maybe you have to do a refund calculation for that borrower. You wanna make sure that you follow those regulations when you're returning and reusing those funds, and let's talk a little bit about the methods of returning refunds. We highly recommend that you use G5 when you're returning your refunds. This is because it's more timely and there's less chance for error, and you have to do this if you're returning over \$100,000.00, you have to use the electronic method to do that.

There is an electronic announcement out there that goes over this. It actually has a form in there for returning funds, so that's as really good document. It explains everything, how you would return your money if you have to do it by check. Now when you're returning-by-checks, this seems to be an issue that comes up for schools. Sometimes they accidentally send that to the wrong address and it ends up at servicer, and when the servicer gets it they might post it as a payment to that account, and if

you've already done an adjustment to that account, that student's gonna get a duplicate credit, and also that amount will not be deducted from your cash receipts so that could throw off your ending cash balance, and your cash receipts totals, so make sure you're sending back those checks to COD, okay? All right, let's look at Net Book Disbursements.

Total Net Book Disbursements equals booked disbursements plus booked adjustments. Now booked adjustments can upward or downward adjustments. Most likely they're probably a downward adjustment, so that's a net amount right there, and you'll notice that the word – it says “booked” here, hold onto that thought because it's a very, very important word, and I'm gonna go over that in a minute. Okay, disbursements, in order to disburse funds, you need a valid MPN, and that needs to be linked to an award. You need to report that disbursement within 30 days of the date of disbursement, so that's that 30-day reporting requirement that I talked about.

Okay, disbursements, in order for them to be included in your ending cash balance, they must be booked. What does it mean to be booked? It means that they need an accepted award, they need a valid MPN linked to that award, and they need the initial that would be your first disbursement, accepted at COD. Let's talk a little bit about actual disbursements versus anticipated disbursements because I think a lotta schools are having some issues with this, so we have a flag that's called the Disbursement Release Indicator, and that could be set to True or False. If it's False that means that it's an anticipated disbursement, if it's True that means that it's an actual disbursement, and we need an actual disbursement to be able to book the loan. Sometimes that flag is not getting sent as True to COD, and so we're not seeing that as an actual disbursement, so that's handled a little bit differently in – in throughout different schools, so you may wanna talk to your IT person or your vendor software and ask them, actually, how they handle sending that Disbursement Release Indicator, okay? Another thing is you need to make sure that you're also sending those subsequent disbursements and adjustments to make sure that they, too, are also getting accepted at COD.

Okay, disbursement adjustments, let's talk about those in a little bit more detail. They are another piece of your total net book disbursements. They're needed when a borrower requests or cancels or returns funds or whether they've withdrawn below half time, and if the amount or the disbursement date doesn't match what you've credited in the Business Office on their account. That

disbursement date is very important, that's what drives the interest rate, or not the interest rate, that's what drives when interest starts to calculate for a borrower, so you need to make sure that disbursement date is actually the date that you've credited the account or given that borrower the money. Schools must submit their adjustments, just like their disbursements, within 30 days of that adjustment date, and they need to make sure that they're either returning the funds or using those funds for another eligible borrower as long as your meeting those regulatory requirements, okay?

There is an electronic announcement that just came out just recently, so you might wanna make note of this. It was on November 9<sup>th</sup> of 2010, and it's a really good document. It explains just how to do an adjustment, and how to cancel your loans, and it has a little chart in there that kinda goes over the different scenarios on how to do that, okay? All right, we've looked at the Net Draw Downs and Payments and we've taken a look at the total net book disbursements, now let's talk about your Ending Cash Balance. Your Ending Cash Balance equals your Beginning Cash Balance plus your Net Draw Downs and Payments minus your Total Net Booked Disbursements.

Your beginning balance will always be zero at the beginning of the year, and then, for the following months, it's gonna be your prior months ending cash balance, so that's just gonna be carried over. Now you're gonna use this ending cash balance to – that's what you're gonna need to research and try to figure out, “Why do I have this ending cash balance,” okay, in order to reconcile. There's this slide, the next slide shows some Additional Cash Management resources. I'm not gonna read through those today but hopefully you'll go back to your office and take a good look at those. They have some really great information out there. Okay, we're gonna look at your daily processing because we wanna take a step back because this is where it really starts. If this goes well for you, reconciliation will be easy and close out will be easy, so things you need to do during the month, you need to organize, finish what you start, you need to monitor your cash flow, and you need to use your reports, and then perform internal reconciliation.

Okay, let's look at these a little more closely. Organize, finish what you start, this is so, so important. I highly encourage you to map your processes and your procedures. A lotta schools have a log or an assignment sheet where they map it out and they have it all assigned out to different people. If you're a one-man shop then that log can help you, like, when did I back something, when did I

send it, when did I receive it, and you can use that to help you make sure that you're going through the whole process because you wanna make sure, like, if you batch a disbursement record then you send it to the COD and then you pull in that acknowledgement, you wanna make sure that you then also look at that acknowledgement and see did they accept, did they reject, and then just follow through.

You want – you wanna definitely manage your timing issues. If you're constantly drawing down at the end of the month and then not reporting those disbursements to the next month then you're gonna have some timing issues, so just try to map your processes out so you can reduce those differences in your cash balance. Okay, Monitor Your Cashflow, I've already talked about most of this, so I am just gonna quickly talk about Bullet Number 2, which says, "Ensure cash receipts are posted to the correct year." I wanna highlight this because a lotta schools that were FFEL didn't realize that G5, or I guess, I'm sorry, that G5 uses the trailing year and not the header year, like PELL does, so PELL uses if you – if it's a 9/10, PELL uses '09 as the numbering gaps where Direct Loans uses the 10, and that would be for the '09/'10 year, okay? All right, Using Your Reports. I'm gonna quickly talk about just 2 of the most important reports for your processing that can really help you.

Alison is going over all the Direct Loan Reports that COD produces in Session 17, so I highly recommend that you see that if you haven't already. How many of you actually use your 30-day warning report? Okay and how many of you use the Pending Disbursement List? Okay, maybe next year I'll see a lot more hands. *[Laughter]* Okay, so I'm just gonna briefly describe these reports but if you go back to your school, and we just posted a new technical reference on IFAF, in there, in Volume 6, Section 8, it is a really good document of all your reports.

It tells you what formats they come in, what data comes on them, when they come – I – I know a lotta times schools send that document off to their IT person but you'll want that in your financial aid office and your business office because that can really tell you what those reports do, so check that out. All right the 30 Day Warning Report, this is a report that identifies missing components that you need to book a loan, so it shows all your unbooked loans at COD, okay, and it comes to you monthly and you can get that in your SAIG mailbox or on the COD website, okay, so that would be like if you had sent in your award record, and it linked to a Master Promissory Note but it was missing a



disbursement, it would show on that report, that loan, and it would that you need to send in that actual disbursement. It also shows information that you may not actually need because like if you have a borrower that goes out and does an Electronic Master Promissory Note, and they send it to your school but then they decide not to go to your school, that Master Promissory Note will show on that report as well, so you may not need that but also it may be for a student that is gonna go to your school there, and, in that case, we're looking for an award, and an actual disbursement, and those will drop off, those reports, after a certain period of time so that – that you won't – they won't constantly be building on that report, okay, and then the Pending Disbursement Report, this actually shows you all of those disbursements that are sitting with that Disbursement Release Indicator of False, okay? They're anticipated, and you can use this to determine your future funding needs and you can also identify those pending disbursements that should actually be actual disbursements, and then you can identify awards that also need to be in Activated, okay? School Reports, the one report that most schools find most useful, and if you don't have it at your school, you might wanna talk to somebody about trying to get that, is a list that shows your Disbursement Statuses, whether that disbursement is rejected, whether it's set and you haven't pulled in that acknowledgement, whether it's accepted as COD, that's an important report to have.

It can give you a full picture of what's going on with your disbursements. You can use your – Business Office can use your ledgers, your bank accounts, and your canceled checks to reconcile your draw downs, and you can use other school reports that you have to help with your reconciliation. Okay, we talked a little bit, when we looked at the three key systems, about Internal Reconciliation. The Business Office and the Financial Aid Office will need to compare their internal records, now when you do that, do it whenever it's best and it fits into your process, okay? Some schools do that at the end of the month, some schools do it in the middle of the month; some schools do it every week, so just pick what works best for you but make sure that you're internally reconciling and communicating back-and-forth between the Business Office and the Financial Aid Office. You'll probably first wanna start and compare your overall totals, your Cash and Disbursement totals, and then, if you have problems, dig down into the detail, okay, and then you'll wanna troubleshoot any discrepancies, so that when you go to reconcile with your School accounts Statement, you already know what's goin' on.

All right, that finishes up for me, and I'm gonna turn it over to Alison. Thank you.

*Alison Richards:*

Thanks, Tracy. Let's move on to the Monthly Reconciliation Process. In order to fully understand Monthly Reconciliation, you need to start with some available tools and reports. Tracy's talked about some of those things as tools and reports that you can use during the month and many of those are also useful for your Monthly Reconciliation but, specifically, we're going to highly the School Accounts Statement, which is the primary tool for reconciling with the department. The SAS contains the department's official Ending Cash Balance for your school for the reported Award Year; it's generated by COD on the first full weekend of the month, and contains data through the end of the previous month.

For example, the November month-end SAS will run this weekend, December 4<sup>th</sup> and 5<sup>th</sup>, and you should see it in your school's SIAG mailbox by Monday morning, the 6<sup>th</sup>. You will be receiving a separate SAS for each Open Award Year, and what this means to you is that you may receive multiple-year SAS reports at the same time, so in order to tell them apart, you would need to note the year in the message class, or file name that you received through SAIG, so that you know that you're looking at the 2009/2010 SAS as opposed to the 2010/2011 when you start your reconciliation process. It can be very good to be receiving more than one year's report at the same time, particularly in the case of monitoring your cash transactions. As Tracy mentioned, it can be a little confusing drawing down NG5 based on Direct Loans, using the Trailing Year in the document number in G5, so when you get your SAS files you can see which years those funds have been applied to and see whether you need to do any adjustments to get your cash into the correct year. The SAS has many – several different sections.

The first one is the Cash Summary Section of the report. This section doesn't just contain cash data, which some people misunderstand because it's a cash summary, it would just be cash but it actually includes Cash and Disbursement data, and a calculation of your school's Ending Cash Balance as reflected in the COD system. The Disbursement Summary by loan type provides summary-level disbursement information that's broken out by the individual loan types, Sub, Un-Sub and Plus. This can be useful for monitoring loan volumes at your school. The Cash Detail section of the report provides a listing of individual cash

transactions that have been processed in G5 for your school, and as they've been sent over to the COD system.

The Loan Detail Section of the report includes either Loan or Disbursement Activity level information to show you the booked, un-booked data for your school. The SAS has several different format options, and these result in different message classes, depending on the format option that your school has chosen. The Default Format is a fixed-length flat file. This would come in either a DS/DF for Disbursement Level Detail File or DSLF for Loan Level Detail File, depending on the options selected by your school. You'll see next to the first four characters of the Message Class, we have an XX.

That's where you would see your Award Year in the Message Class, so for 2010/2011, your SAS would have an 11 there. You can also choose one of our delimited formats if that will work best for your school. You can choose Coma Delimited, Coma Delimited with Headers, or Pipe Delimited. All of these share a common set of message classes of DSDD for Delimited Disbursement Level Detail, or DSLD, for Delimited Loan Level Detail. Now if your school happens to use Direct Loan Tools, you need to be aware you must choose the Fixed Length format of the SAS.

This is because Direct Loan Tools is set up to import that Fixed Length Flat File, and format it for your school. The SAS also has a number of content options that you can choose from. These are including the names of borrowers and students, which is a Yes/No option, either include them or don't, and it's available in all file formats except for the Fixed Length Disbursement Detail File, so if your school chooses to receive Fixed Length Disbursement Detail, you will not be able to select the Include Names of Borrowers Option. You can also choose the Report Activity Type. What this refers is whether you are going to receive Monthly, Year-To-Date, or both, for your level of detail.

What this means is if you choose Monthly, it will set your reporting period to be just that month, so your detailed transactions would be just for the reported month. Year-To-Date will give you everything for that award year through the end of the month of the SAS. You can also choose which sections of the SAS that you want to receive, including that Disbursement Summary by Loan Type -- that is an optional section of the report -- and whether you want Disbursement Detail, Loan Detail, or both depending on which Report Activity type you had selected. Now depending on

the options that you choose for your School Account Statement, you may receive more than one SAS file for that year, so that's in addition to receiving SAS files from multiple years if they're open in the system. You need to make sure that you're choosing only the level of detail needed for your specific software or system, and your reconciliation processes.

These options are set through the Report Selection/SAS Option Screen, in COD, which is our next slide but before we move on I want to mention again if you use Direct Loan Tools, you must choose the Report Activity Type of Year-to-Date Cash and Loan Detail if you intend to run the comparison, and that is because DL Tools is set up to run the comparison for a year-to-date period. If you were to choose Monthly, and run the DL Tools comparison you'll end up with a lot of discrepancies because the school data will have information year-to-date, and the report would only contain monthly data. Let's look at the SAS Option Screen because it may make this at least a little bit clearer. You access this screen through the COD website, [cod.ed.gov](http://cod.ed.gov), and then you would choose the School Menu and Report Selection, there we go. Once you get to the Report Selection Screen, it will actually list out all of the different Direct Loan Reports and the options that you can set for each. For the School Accounts Statement, it has a link for Modify SAS Options, and once you click on that, you would access the screen.

You can see, at the top, you get to choose your report format, and then you start into those Content Options that we discussed. Now if you were to choose, in this case, Report Activity Type of Both, the screen would show all of the other options, and then you can select from the Disbursement Detail Monthly, Disbursement Detail Year-To-Date, and Loan Level Year-To-Date selections. If you were to choose Report Activity Type of Monthly then you can only choose from the Disbursement Detail Monthly Option, and that's because the Loan Level Detail is provided year-to-date information at the loan level, we don't provide that on a monthly basis, so we only – this screen will refresh to only give you those options that are applicable based on the options that you choose at the top of the screen. If you need any help with setting your SAS options, you're not sure what you need, talk to your software system – the software vendors or system programmers, and then you can also call COD School Relations for assistance with this screen. Once you've set your SAS options, you shouldn't need to update those unless your software changes.

These options will roll over from year-to-year when the new Award Year becomes available in COD. Let's look a little more closely at the sections of the SAS. This is the SAS Cash Summary Year-To-Date as it appears in the Direct Loan Tool software. It may look different at your school, depending on what your software or system is to pull in and format, and print the SAS but the fields that are included in the SAS Cash Summary are going to be the same in all cases. You can see that it has a calculation.

It – it includes the information on your Beginning Cash Balance, which will always be zero for Year-To-Date because the beginning of the year you start with a zero balance, then it gives you Cash Receipts, Refunds of Cash, and a Net Draw Downs Payments Calculation, Booked Disbursements, Booked Adjustments, and Total Net Book Disbursements, and then a calculation of your Ending Cash Balance. This is your Official Ending Cash Balance for your school as represented in the COD System. It also includes any un-booked, which for many schools, you will see zeros in these fields every month. The times that you may not see zero are generally if your school reports any future-dated disbursements. We cannot book those in COD until that disbursement date occurs, so therefore you may have an accepted disbursement amount in COD but it has not booked yet, so if have an amount in that field, you should just verify against the detail in that report that those are future-dated disbursements that should book once the date occurs. This is the SAS Cash Summary for Monthly.

Every SAS file will contain both Year-to-Date and Monthly Cash Summary records. This is so that your school can reconcile the way that works best for you, so if you work with data on a monthly basis, you can use the Monthly Cash Summary as your starting point. If you work with on year-to-date basis, use the Year-to-Date. The fields are exactly identical on both of these sections of the report with the difference of the content for the beginning balance. In your Monthly Section, the beginning balance should be the ending balance from your prior month, so that it rolls that forward and your Ending Cash Balance will always be Year-to-Date.

The Individual Summary fields on the Monthly will be just the data for that month. This is the SAS Disbursement Summary by Loan Type. This is, again, is an option section of the report and this is how it looks in Direct Loan Tools so it may look different to you if you're receiving it but it contains the gross fee rebate net for both booked and un-booked separated out by loan types. Some schools find this very helpful in monitoring your loan volume

information. Other schools don't find this information as important as the information in the Cash Summary, so it's up to you whether you want to receive this information.

This is the SAS Cash Detail, which contains the different types of cash transactions, both cash receipts, and refunds of cash, as well as the transaction dates and amounts for which were processed in COD, and any payment control number, or check number if you are using paper checks. This is the SAS Loan and Disbursement Detail section of the report. In this case, we have the Disbursement Level Detail. Disbursement Level Detail will include each disbursement and adjustment transaction for the loan. The Loan Level Detail will show one summary record per loan, so when you have disbursement detail will show one summary record per loan, so when you have Disbursement Detail you'll see Disbursement 1, Sequence 1, Disbursement 1, Sequence 2, for each individual loan during the reported period. New for the 2011/2012 year, is that we will be adding the servicer names to both the Loan and Disbursement Level Detail of the School Accounts Statement.

This will be available in all formats of the SAS, so regardless of which format your school chooses to receive, you will be getting the servicer names. This information can be used by your school to determine which servicer it holds the particular loan for that borrower. That information is also available to look up in COD but schools had asked for us to include it in the SAS report, so if you want more information about that, you can check out the new file formats in the COD Technical Reference, which was just published last week. It's in Volume 6, Section 8. This is an alternate format of the SAS. I showed a lot of screenshots of what the SAS looks like in Direct Loan Tools but many of you may be seeing it in another format. In this case, this is a Comma Delimited with Headers Format, and I'm just gonna blow up a small portion of this.

This would be your Cash Summary Information. You can see data fields are exactly the same as what we saw in the Direct Loan Tools version. It's just laid out differently. You can also access cash summary information on the COD website. The SAS is just a monthly report, so if you want to check your school's cash balance, in between receiving your monthly SAS file, you can go to the COD website's School Summary Financial Information Screen, so we've talked about the SAS and how you receive it, what it looks like, what kinda data it contains.

Whadda you do with it once you've received it? At that point, most schools want to start with comparing the Cash Summary, and the reason this is useful is because it can help ya determine where to drill down into the detail and cut down on your workload, so if you compare that Cash Summary Section and determine what matches and what doesn't match, you can use it to drill down. If everything matches, and you've explained all the reasons for any ending cash balance, and documented that process, then you would be done for the month. If, instead, you discovered, "Oh, we don't match on our Cash Summary information," you can drill down into the Cash Detail, if you don't match on the loan information, drill down into the Loan Detail. Then you would want to identify and resolve any issues, and if those are not resolved, continue working those until that's completed. Once they are resolved and you've explained any reasons for your ending cash balance, and documented your reconciliation, then you're done, so let's look a little closer at comparing your school records to the SAS Cash Summary.

You might choose to use a spread sheet, or some other method to do this. In this case, you can see we have a spreadsheet with the school's Financial Aid system, and the SAS data, and then a column with a calculation of the differences, so let's start with eh cash differences. What are some common causes for cash discrepancies? You might have – a lotta these Tracy talked about, so I'm gonna go through them relatively quickly. You may have those timing differences where schools draw down at the end of the month, and the transaction processes and shows in COD at the beginning of the next.

There may be cash transactions in the wrong year, split between years, funds sent as Refunds of Cash that should've been a payment or the reverse, or funds that were recycled for a disbursement in a different award year if you forgot to verify which award year the funds were drawn for in the first place. Some research tools include the SAS Cash Detail because that, again, gives you a detailed listing of all the draw downs, draw down adjustments, and refunds that have been done by your school in that reported period. A Cash Detail Comparison Report if your system has that available. Direct Loan Tools has one if you happen to use the Cash Management Tool in that software. If not you would need to develop one of your own or have another process for comparing your cash. You can research discrepancies on the COD website in the Cash Activity Screen, Refunds of Cash Screen, or the School Summary Financial Information Screen if you just wanna see a summary-level view.

You may also use Business Office Cash Reports, bank statements, and/or canceled checks to help with your research. Common causes of disbursement discrepancies include unsent, and unacknowledged disbursement batches, rejected disbursements that need to be corrected and resent, disbursements that were recorded in the Business office but not in the Financial Aid System, unbooked records, and, hopefully not but it's possible if you had any school data loss. Some research tools for disbursement discrepancies include a Disbursement Detail Comparison Report. If you don't have one of these, I highly recommend talking to your software vendor or system programmers to ensure you have a way to automatically compare your SAS detail to your internal school records. A Financial Aid Office Disbursement Report if you don't have an automatic comparison or even if you do and you wanna be able to research the detail behind some of the discrepancies, you'd need a Disbursement Report from your school, either from the Financial Aid Office or from the Business Office. You can use the SAS Disbursement Detail for research or the COD website.

You can go to the Award or Disbursement Detail for individual students or you can use the Batch Search Screens, and you can also use your own student account files, or business office ledgers and Statements of Account. Tracy already talked about performing internal reconciliation but I'm gonna continue that kinda spreadsheet concept, and you can see here that we've got the school's Business Office records, and the school Financial Aid system records, and a calculation of those differences, and, in this case, they actually have a difference. Some examples of reasons for that, Tracy's already gone through these. You may see a Disbursement Release Indicator that was not set to True even though the student account had already been credited by the Business Office or return of Title for Aid Calculations recorded by the Financial Aid Office but not recorded in the Business Office. This is just, again, an example of the spreadsheet. At this point, if you've identified all the reasons for your discrepancies, you still need to explain reasons for your ending cash balance, so you'd look at this number and say, "Do all of my discrepancies represent that balance or is there something else I need to identify?" and determine why you might have those differences, so here is where you might record timing differences where you knew there was a draw down at the end of the month and those disbursements were not reported until the following month, so that made – was calculated into your Ending Cash Balance as Cash On Hand but has now been disbursed.



You might have Disbursements not Sent or Accepted at COD, you might have un-booked records or data missing between the two offices. How do ya know when you're finished? At this point, all discrepancies should've been identified and resolved, timing issues need to be tracked for reconciliation in the next month's SAS, the reasons for any ending cash balance have been identified, and all monthly reconciliation efforts have been documented. At that point you would know that you're done. Okay, that last bullet, let's talk a little bit more about Documentation of Your Monthly Reconciliation. Your documentation should show that reconciliation has been performed at least monthly because that is the regulatory requirement.

It should show any of the issues that you've identified and whether they've been resolved or how you plan to resolve them, and then, once they are resolved, you'd document that final resolution, and then the reasons for any ending cash balance. Now the format of that documentation is at your school's discretion. We do not mandate what format your school uses, and we do not require that you submit monthly reconciliation documentation to the department. The documentation should fit the needs of your individual institution, and the main reason for that is so that it can serve as an audit trail for you to backtrack, demonstrate you've done your reconciliation, and exactly what you did to resolve any of your discrepancies. You need to be able to understand that information and have that audit trail in the event that an internal or external auditor asks for it, and you need to explain what was done, or maybe you have new staff that need to understand what were the outstanding issues from the last Reconciliation Cycle.

These are just samples of possible documentation. This is, again, that spreadsheet but, at this point, it's got a column, which you probably can't see very well here but it allows you to document what the reasons were for the differences, and reasons for ending cash balance. This is an example of an Action Item List, which may be another tool that your school could use to track any Outstanding Action items at the end of the month. Let's go ahead and talk about Program Year Closeout. Program Year Closeout should begin as soon as the final disbursements are made, as Tracy mentioned earlier, and should really be just one final month of your Reconciliation Process.

The only difference is that instead of just explaining the reasons for your ending cash balance, you need to make sure your school has reached a zero balance. As Tracy mentioned, the final deadline is the end of the July of the year following the end of the

award year, or 7/29/2011. During the closeout period, the department will send a number of different types of communications to your school. These include electronic announcements, we generally publish up to three of those annually to provide important Program Year Closeout information to your school, and reminders about some of the tools available to you. There are also a series of system-generated letters, which are sent in an email format to your school that begin to be to be sent after the end of the Award Year.

When you receive these letters is also dependent on when your school reaches the end of their processing period, which is defined by COD as your Latest Reported Award End Date for your school. The letters include Zero Balance Letter or Remaining Balance Letter, which is sent depending on what your monthly balance is. These are monthly notifications of those balances. The Notification Warning Letter goes out 90 days before the end – the Program Year Closeout Deadline, also known as the Latest Date To Accept A Common Record, and tell schools that have any balance, zero, or remaining balance that the deadline is approaching and the school has not confirmed their closeout. We also will send a Program Year Closeout Letter, this is something a lotta schools like to have, that they can put in their file to show that they successfully closed out a program year, and it will be sent once you've reached a zero balance and successfully confirmed closeout on the web, and I'll show ya that screen in a moment. You may also receive a Change in Zero Balance Letter if your balance changes after you've attempted to confirm closeout for the year. For example, if a – you may have done a Refund of Cash by check, and it's still in the mail, and your balance shows a zero, so you confirmed closeout, and then your balance changes once the check processes at COD, and, again, hopefully you're not sending a check, you're using the G5 function but the concept is the same. If your balance changes, we will notify you so that you know there's something more you need to do. Additional correspondence that's sent directly from Federal Student Aid Internal Controls Division include the Final Demand Letter and Negative Balance Letter. Most of you may not have seen one of these and may never see one of these.

These are sent out after the closeout deadline only to schools that have not successfully resolved their balances. Let's look a little bit at the COD Closeout Functionality. This is the COD School Correspondence Screen. If you log in to the COD System, and go to the School Menu, and choose Correspondence, you can see a listing of all of the system-generated letters or emails that are sent

to your school. From there, you can choose to view an individual piece of correspondence.

In this case, let's look a little bit at the Zero Balance Confirmation Letter. You can pull that up right in the COD website, and see the text of what was sent to your school. The Zero Balance Letter includes information you can see about your net draws, your book disbursements, your ending cash balance, and it also tells you when your latest Award End Date is, and gives you instructions on how to confirm closeout. If you've received that letter, you can go to the Balance Confirmation Screen, again those instructions are in the letter itself, and confirm your school closed. This screen, you can see the top of the screen here, provides current balance information for your school, and then the bottom of the screen includes a field where you can enter your School Ending Cash Balance, the end date of that school balance, and then you can click on the "I Agree" button at the bottom of the screen.

If your confirmation is successful, you will receive a message right on the screen that says, "Confirmation Successful," and then what happens? You've confirmed closeout, what happens next? After confirming closeout, COD will generate a Program Year Closeout letter, reduce funding to your Net Draws Payments, and reject any additional data for that program or award year. It also turns off your year-specific reports like the 30-day warning and the School Accounts Statement, so whaddaya do if you need to process more data? Extended processing is available on a limited basis for authorized reasons, for example, you find you find out you need to do a Post Withdrawal Disbursement or a Downward Adjustment with in regulatory requirements, you would contact COD School Relations, and request Extended Processing.

This is just some additional information and reference materials, which you're welcome to read, and some available resources and tools, including COD Customer Service, the School Relations Staff, the CSR's, and the Reconciliation Specialists are wonderful resources, and I encourage you to call them. Here is our contact information, and I think we have some time to open the floor to questions. If you could remember to come to the central microphones, I would appreciate it. Yes?

*Male 2:* I have a question.

*Alison Richards:* Mmm-hmm?

*Male 2:* With – if we have, you know, assuming we have students who don't cash checks, obviously, for – because their checks are good for six months, so I'm not sure how that fits in with the closeout. I know in PELL we can go downward for – there's no kinda limit on it but with Direct Loan Closeout, how does that fit in with that? Do we need to wait to closeout, or do we need to --?

*Alison Richards:* If – if you find out that you need to do a downward adjustment and we've already passed the Program Year Closeout deadline, you would need to request Extended Processing, and you would need to list that as your reason --

*Male 2:* Okay.

*Alison Richards:* so that we know that what you're trying to do is do downward adjustments because you have these checks that need to be returned because they were never cashed.

*Male 2:* So would you normally suggest that we wait to do our closeout until that time period's passed, or should we closeout immediately after and if those things come up ask for – it be respond?

*Alison Richards:* Generally what we recommend is that as soon as your normal processing is done, your final disbursements have been made and you know that you don't have a an immediate need to draw further funds, you should be reaching zero. At the point, you could choose to confirm closeout. It isn't a difficult process to be reopened or to receive Extended Processing after that point, if you need to make further adjustments, and what it does it – because it reduces your funding, it can prevent draw downs in the wrong year, it can prevent data coming into the COD System that maybe – some systems or software will automatically keep resending data, and you don't want anything to process that you don't know about. Once you've closed out, the COD System will reject that data for you to prevent that from happening, so, generally, we recommend if you're pretty much done with your processing, and you can't predict your gonna need adjustments later, it's better to confirm closeout, and then request to be reopened --

*Male 2:* Okay, thank you.

*Alison Richards:* at a later time. Yes?

*Male 3:* In an effort to best reconcile the end of the month, is that why the account statement is actually generated the first weekend of the month so that – I mean, if I do a disbursement through G5, you

know, I'm gonna draw down some funds, or return funds, on the 30<sup>th</sup>, and we'll use November, is that gonna be date-stamped for the day it actually happened and included in that account statement or should we kinda stop processing 3 days before the end of the month to best get those all balanced at the same time?

*Alison Richards:* Some schools do choose. I've talked to, actually, a number of schools that do choose to stop their draw down processing a few days before the end of the month because they are trying to manage their balance and they wanna be at zero monthly, which, again, is not required, but I think the deeper part of your question is when that data will show in the School Accounts Statement. If you make a draw down in the last day of the month, the chances are it's going to be reflected on the following month's SAS because of the processing times between G5 and COD and it can't be reflected in COD until it's been processed in COD and the process date is what determines whether it's included in the detail.

*Male 3:* So it's not a transaction date, it's the process date?

*Alison Richards:* Right.

*Male 3:* Okay.

*Alison Richards:* It's the date it processes in COD. J

*Male 3:* And there's generally a day, depending on what time of the day it is, it could be a day, or a day-and-a-half lag between G5 and COD?

*Alison Richards:* There can be, and it depends on what – when the transaction processes during the day in G5, and there's a lot more detail about G5 and when data processes and whether, you know, if you make a draw down in the morning, whether it shows up that day or the next day. That's all available in Session 7 on DL Funding.

*Male 3:* So but it's a good rule-of-thumb a couple days before the end of the month it would be a good time to stop, if you wanted to get to a zero at the end of the month,.

*Alison Richards:* If your school's goal was to try to get to a zero balance then you could arrange your processing to do just that, do you draw down several days before the end of the month.

*Male 3:* Thanks.

*Alison Richards:* Okay, other questions?

*Female:* I don't really have a question; I just sort of wanted to make a comment. I notice that nobody raised their hands for using the reports that you listed as being useful, 30-Day Warning, and Pending, because they really aren't all that useful for the Reconciliation Process. What would be useful is if schools had the option to draw down an ad hoc report, like an Excel file or something, of the accepted disbursements that COD has at some time, at any time they want because what – that's what you're trying to do is make sure that COD has all the accepted disbursements that you think they have. That's one of the basics of the Reconciliation Process, and, you know, sometimes if something goes wrong and the beginning of the month, and you wait to get the SAS, you're already 30 days out. If the school could say, "Okay, every 2 weeks, I wanna just pull this down and match, electronically, with my system," I think it would be a lot smoother, and I know banks do that, it – I don't see why you guys couldn't offer that option.

*[Applause]*

*Alison Richards:* We – *[laughter]* yeah, I hear some support for that, and we have been hearing support for that for some time. We actually have an accepted Disbursement Listing, which is in the works as a future enhancement. We hope to get it in by the – at least the middle of next year that will be on the COD website, that you can pull down a weekly listing of all the accepted disbursements from your school, so you could do just what you just said, using that list. It won't be year-to-date, unfortunately. It would be a weekly report so you would have to pull down each week to get that cumulative information. We've also had requests for an ad hoc SAS or a SAS that's available in the COD System, and I can't promise that that will be made available.

We've looked at various permutations of that over the years and we'll continue to look at it because it – it would be a very good tool for schools, so I promise we will continue to pursue an option, I just can't promise when. In Excel format? Um, the Accepted Disbursement Listing that – or Actual Disbursement Listing that we're looking at would be CSV, which can be pulled into Excel. Any other questions, no? All right, well, thank you for being such a good audience and staying 'til the end.

*[End of Audio]*