Direct Loan Program Reconciliation Questions and Answers
Attachment to December 2016 Electronic Announcement

Q1: How often should a school reconcile for the Direct Loan Program?

A1: Per regulatory requirements a school must reconcile both internally and externally at least monthly to help meet all cash management and disbursement reporting requirements. However, the more frequently a school performs reconciliation, the more likely it will be able to identify issues and resolve them before they become part of a systemic problem.

Q2: In addition to reconciling disbursements and cash transactions internally and data from the COD System, what other items should be verified during the reconciliation process?

A2: The following items should also be verified during the reconciliation process:

- Disbursement Dates to ensure the correct actual disbursement date is on file in the Common Origination and Disbursement (COD) System. Refer to the January 29, 2014 Electronic Announcement, "Direct Loan Processing Information - Accurately Reporting Direct Loan Disbursement Dates".

- Records that have been updated in the COD System to ensure subsidized usage limit calculations are accurate for your students, per the guidance issued in Dear Colleague Letter GEN-13-13 and the September 25, 2015 Electronic Announcement, "150% Direct Subsidized Loan Limit: Electronic Announcement #19 - Importance of Accurate Direct Loan and Enrollment Reporting to Prevent Loss of Subsidy".

- Academic year dates and Program year dates in the COD System and National Student Loan Data System (NSLDS) have been accurately reported. Refer to the April 20, 2015 Electronic Announcement, "150% Direct Subsidized Loan Limit: Electronic Announcement #17 - School Misreporting of Data to COD and NSLDS".

- Stale dated/uncashed checks (unclaimed credit balances) have been resolved by returning any unclaimed funds and processing the corresponding downward adjustments to disbursements.

Q3: Who should participate in Direct Loan Program reconciliation?

A3: Reconciliation is a team effort consisting of the Business Office and the Financial Aid Office, both of which have information that is needed to reconcile.

Note: If your school uses a third party servicer, your school is ultimately responsible to ensure that all regulatory requirements are being met and that your school is reconciling on a regular basis. You should request and retain documentation of your reconciliation efforts. Also, a part of your reconciliation should include ensuring that your school's internal records match the third party servicer's records as well as what is in the COD System.

Q4: Where can schools obtain the Department of Education's (the Department's) official Direct Loan Ending Cash Balance and other detailed information for use in required monthly reconciliation?

A4: The Department provides a School Account Statement (SAS) to all schools on a monthly basis. The SAS is similar to a bank statement, and provides the Department's official Ending Cash Balance as of the end of the reported month, as well as detailed cash and loan or disbursement detail transactions for the reported period. The SAS is the school's primary tool used in reconciliation and program year closeout, and should be compared to both financial aid and business office records. Additional information on the content and formats available for the SAS is available in the [COD Technical Reference, Volume VI, Section 8](#).

Additional optional tools for assistance in reconciliation processes are addressed under Q9 below. However, the SAS must be used for required monthly reconciliation.

Q5: Can a school obtain updated Direct Loan Ending Cash Balance information during the month?

A5: Yes! A school's Ending Cash Balance can be found on the COD Web Site's School Summary Financial Information page (found under the "School" link in the blue bar along the top of the main page and the School Summary Financial Information link on the left-hand side). This screen mirrors the SAS Cash Summary section of the SAS, and provides updated summary cash and disbursement information on a daily basis. This can assist schools with monitoring their cash balances daily, in addition to completing required monthly reconciliation to the SAS.

Q6: How is the Department's official Direct Loan Ending Cash Balance calculated?

A6: Ending Cash Balance is calculated as follows:

- **Ending Cash Balance =** Beginning Cash Balance + Net Drawdowns/Payments – Total Net Booked Disbursements
    - **Net Drawdowns/Payments** = Cash Receipts (Drawdowns + Drawdown Adjustments) – Refunds of Cash (Refunds + Returns)
    - **Total Net Booked Disbursements** = Booked Disbursements + Booked Adjustments (upward or downward)

*Note***:** The Department does not include unbooked, future-dated disbursement transactions in the calculation of official Ending Cash Balance. These are calculated separately, and are included in the calculation of Cash > Net Accepted and Posted Disbursements (NAPD). In the SAS, Cash > NAPD is calculated as follows:

- **Cash > NAPD =** Ending Cash Balance – Total Net Unbooked Disbursements
    - **Total Net Unbooked Disbursements** = Booked Disbursements + Unbooked Adjustments (upward or downward)

Q7: How does a school find its updated Cash > Net Accepted & Posted Disbursement (NAPD) Balance in the COD System?

A7: A school's Cash > Net Accepted & Posted Disbursement balance can be found on the COD Web Site, either on the School Summary Financial Information page for Direct Loans (remember, this mimics the SAS Cash Summary information), or on the School Funding Information screen for any

program (found under the "School" link in the blue bar along the top of the main page and the "Funding Info" link on the left-hand side). It is calculated by taking Net Drawdowns minus Net Accepted and Posted Disbursements (NAPD includes both booked and unbooked disbursement and adjustment transactions accepted and posted in the COD System).

Q8: When should a school complete final reconciliation and balance to a Zero Ending Cash Balance?

A8: Direct Loan schools should be able to reach a Zero Ending Cash Balance within a month of making their final disbursements if they are meeting all cash management, disbursement reporting, and monthly reconciliation requirements. For more information on Program Year Closeout, refer to Direct Loan Closeout Electronic Announcements posted on the [Information for Financial Aid Professionals (IFAP) website](#).

Note: Prior to program year close out, schools should ensure that fields related to 150% Direct Subsidized Loan Limit are updated appropriately. Refer to [September 25, 2015 Electronic Announcement](#), "150% Direct Subsidized Loan Limit: Electronic Announcement #19 - Importance of Accurate Direct Loan and Enrollment Reporting to Prevent Loss of Subsidy" for more information.

Q9: What other tools are available to assist with Direct Loan Program Reconciliation?

A9: There are various tools provided by the Department that your school can use to reconcile externally to cash and disbursement data from the COD System.

- **School Account Statement (SAS)** (refer to Q4 above)

- **SAS Disbursement Detail on Demand** – ad-hoc report that allows schools to get SAS Disbursement Detail data independent of the school's monthly SAS file.

- **SAS Disbursement Detail on Demand Report Reader and Instructions** – formats the fixed length SAS Disbursement Detail on Demand Report into an Excel spreadsheet. Found under the "COD Resources" link at the bottom of any COD Web Site page.

- **Pending Disbursement List Report** – contains disbursements not yet funded in the COD System (Disbursement Release Indicator = False).

- **Booking Warning Report** – this report can help schools identify awards that are missing a piece needed for booking a loan.

    Note: A loan is considered booked when there is an accepted origination, and an accepted and linked Master Promissory Note (MPN), along with an accepted actual/funded disbursement on file in the COD System.

- **COD Web Site pages:**

    o *Funding Information page* – (refer to Q5 above)

    o *School Summary Financial Information page* – (refer to Q5 above)

    o *Cash Activity* – shows all individual Drawdown, Refund of Cash, and Drawdown Adjustment transactions. This information is sent to the COD System from G5. This information can be used to reconcile to internal bank statements and cash transactions.

- o *Action Queue* – lists all pending disbursements. It can be used to determine if pending disbursements need to be canceled (reduced to zero) or made into actual disbursements and is updated daily.

- **Direct Loan Tools Software** – main function is to compare disbursement data from EDExpress or a school's custom software/system to the disbursement data from the SAS and produce a discrepancy report. Schools with other software can create an external file to be used with DL Tools as well.

Q10: Where can schools find additional resources for reconciliation?

A10: Additional resources for reconciliation include:

- FSA Handbook - Volume 4 Chapter 6 – Reconciliation
  https://ifap.ed.gov/fsahandbook/attachments/1617FSAHdbkVol4Ch6.pdf
- 2016-2017 COD Technical Reference, Volume IV – Direct Loan Tools
  https://ifap.ed.gov/codtechref/attachments/1617CODTechRefVol4.pdf
- 2016-2017 COD Technical Reference, Volume VI, Section 8 – Reports
  https://ifap.ed.gov/codtechref/attachments/1617CODTechRefVol6Sec8Reports.pdf
- IFAP Announcements
  https://ifap.ed.gov/ifap/
- COD Reconciliation Coordinators - contact via the main COD Customer Service number at 800/848-0978