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THE
U.S. Department of
EDUCATION

Session 19

Cash Management Overview

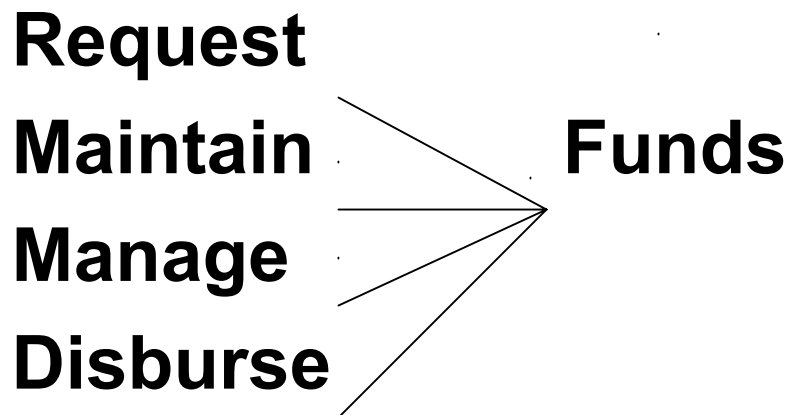
A - Z

CASH MANAGEMENT PURPOSES

- **Promote Sound Cash Management**
- **Minimize Costs to Federal Government**
- **Minimize (Loan) Costs to Student**

SUBPART K CASH MANAGEMENT 34 CFR 668.161 - 167

- For Title IV HEA Programs,
the Institution has to:



REQUESTING FUNDS

■ **Secretary has Sole Discretion**

Payment Methods

- Advance
- Reimbursement
- Just-in-Time
- Cash Monitoring

ADVANCE PAYMENT

- **Institution requests** funds from Secretary
- For amount needed **immediately** for disbursements made or to be made
- **Secretary initiates EFT**
- **School disburses within 3 business days**

JUST-IN-TIME PAYMENT

- Institution electronically transmits program award information **for each student**
 - Date & Amount of Disbursement
- **EFT** on or before that date
- Disbursement based on information **at time of record transmission to Secretary**
- Institution reports **adjustments**

REIMBURSEMENT

- **Disbursements made first by institution**
 - Credit to student's account, or
 - Payment to student with institutional funds
- **Request** for funds from the Secretary
 - Identifies students
 - Has **documentation** showing eligibility and that student has been paid

CASH MONITORING PAYMENT

- **Disbursements made first by institution**
- **Institution**
 - requests amount of funds needed to cover those disbursements, or
 - seeks reimbursement , but
 - **Secretary may modify documentation requirements and review procedures**

BANK OR INVESTMENT ACCOUNT

- **Federally insured, or**
- **Secured by collateral**
- **Identify that Title IV funds are in account**
 - “Federal Funds” in name, or
 - Notify Bank or I.A. and retain record, and file UCC-1 and maintain copy (except for a public institution)

SEPARATE BANK ACCOUNT

**Secretary will require one, if he determines
that :**

- The Institution failed to comply with –
 - Cash Management rules,
 - Record keeping / Reporting, or
 - Applicable program regulations

INTEREST-BEARING OR INVESTMENT ACCOUNT

- **Perkins Fund §674.8(a)**
- **Direct Loan, Pell, FSEOG, & FWS program funds**, unless –
 - Institution drew down < \$3 million in prior and current award year,
 - Institution will not earn > \$250, or
 - Institution uses Just-In-Time method
- Funds in an Investment Account must be in **low risk, income producing securities**

ACCOUNTING & INTERNAL CONTROL SYSTEMS AND FINANCIAL RECORDS

- **Identify Cash Balances** (as if in separate accounts)
- **Identify Earnings**
- **Financial Records** per §668.24
 - Reflect each Title IV program transaction
 - General ledger control accounts & related subsidiary accounts

EXCESS CASH

- Any amount not disbursed by end of the **3rd business day** (except for Perkins)
- **Institution may** maintain excess cash if
 - In previous award year, the excess cash was:
 - (**for peak enrollments**)
 ≤ 3% of its total prior year drawdowns
 - (**for other periods**)
 ≤ 1% of its total prior year drawdowns, and
 - The excess cash is disbursed **within 7 days**

DISBURSING FUNDS

- **Funds from ED, Lender, or Institution**
- **Credit** the student's account
 - If institution credits account early with **institutional funds**, the disbursement is considered to be made on the **10th day before**, or **30th day after**.
- **Pay** student **directly** by
 - Releasing check from lender
 - Mailing institutional check
 - Notifying student that check is available
 - EFT to student's bank
 - Cash (with signed receipt)

CREDITING STUDENT'S ACCOUNT

■ **Without authorization**

- Current tuition and fees
- Current room & board charges

■ **With authorization**

- Additional current (educational) charges
- Prior year charges (<\$100 or amount that does not prevent payment of current charges)

CREDIT BALANCES

- Occur when credited **Title IV funds** exceed authorized institutional charges
- Pay **as soon as possible**
- No later than
 - **14 days** after balance occurs, or
 - **14 days** after first day of class

LATE DISBURSEMENTS

- Ineligible students
 - **FFEL and DL** – no longer ½ time
 - **Pell, SEOG, & Perkins** – no longer enrolled
- Qualify if, before the student was ineligible,
 - (**Except for PLUS loans**) SAR/ISIR with official EFC processed &
 - **FFEL & DL** – loan certified / originated
 - **Perkins & FSEOG** – made the award

MAKING LATE DISBURSEMENTS

- **Student withdraws** – **must** make required post-withdrawal disbursement
- **Student completes** – **must** credit, pay, or offer the amount the student was eligible for while enrolled
- For **FFEL and DL**, where student $< \frac{1}{2}$ time,
- **may** disburse for costs incurred while student was eligible

LIMITATIONS

- **Generally** must be **within 120 days** of
 - Date institution determined student withdrew
 - Date the student otherwise became ineligible
- **Exception**, with the approval of the Secretary,
 - May make **after 120 days** if it was not student's fault
- **FFEL / DL**
 - No 2nd late disbursements, unless student completed
No late disbursements for 1st yr, 1st time students, unless
30 days completed

NOTICES & AUTHORIZATIONS

- **Before disbursement,**
 - Amount, how, and when to be disbursed
 - Amounts Subsidized and Unsubsidized
- **When crediting account with loan funds**
 - Date and amount of disbursement
 - Student's right to cancel loan
 - The procedures and timeframe for canceling
- **Notice** must be sent in writing
 - No earlier than **30 days before**, and
 - Not later than **30 days after**
crediting the account

STUDENT'S NOTIFICATION RE: CANCELLATION

- **Institution must** return loan proceeds/cancel loan if it receives a cancellation request
 - Within **14 days** of date institution sent notice regarding student's right to cancel
 - By the **1st day of the payment period** if institutional notice is sent more than 14 days prior to 1st day of the payment period
- **Institution may** return loan proceeds/cancel loan if student requests cancellation after that
- **Institution must** inform the student of the outcome

STUDENT AUTHORIZATIONS

- **Student may** authorize the institution to
 - Disburse funds to student's bank account
 - Pay for charges other than tuition & fees, and room & board
 - Hold cash balances
- **Student may** give authorization for entire time
- **Student's modification of authorization** effective on date institution receives such notice

AUTHORIZATIONS (CONTINUED)

■ **Institution**

- **May not** require or coerce the student to give one
- **Must** allow the student to cancel or modify it
- **Must** explain how it will carry out the activity
- **May not** use funds to pay for “other” charges incurred after the student cancels an authorization to pay for such charges
- **Must** pay the student **as soon as possible**, but no later than **14 days** after the student cancels an authorization to hold funds

HOLDING CASH BALANCES

■ **Institution must**

- Identify amount of funds in a subsidiary ledger account
- Maintain cash in its bank account = the amount of funds it is holding for the student
- Pay loan funds by the end of the loan period and pay other funds by the end of the last payment period in the award year

REQUESTS TO THE LENDER

- **(EFT or Master Check)**, no earlier than
 - 27 days after 1st day of classes
 - 13 days before the first day of classes
- **(Funds by check to borrower)**
 - 1st day of classes
 - 30 days before the 1st day of classes
- **(PLUS)**
 - EFT or Master Check - 13 days before the first day of classes
 - Funds by check to the borrower – 30 days before the first day of classes

RETURNING FUNDS

■ **If \$ not disbursed**

- w/n 3 business days (EFT / Master Check) or w/n 30 days, if check payable to borrower or
- w/n 10 extra days for clock hour completion or
- w/n 10 extra days to become eligible or
- w/n 30 extra days for reimbursement,

■ **Then, institution must return \$ promptly, but within another 10 days**

■ **But, institution can disburse \$ within above time frame if it determines that the student is eligible**

REIMBURSEMENT

- **Secretary must** approve disbursement
- If prohibited, **school may not** certify
- **School must** submit documentation
- **Secretary may**
 - prohibit endorsement of Master Check or borrowers check
 - require separate bank account for EFT funds
 - Prohibit school from certifying loan application
- If school is only in the FFELP, same restrictions possible
- If school is on Cash Monitoring, ditto.

Common Origination and Disbursement

**COD supports cash management
compliance**

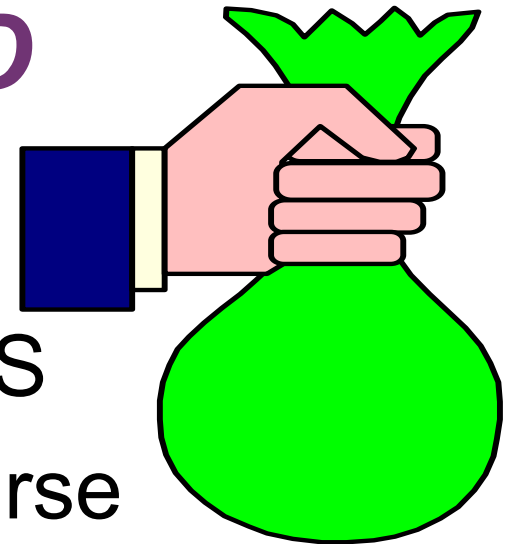
Overview of COD

- Redefines aid origination and disbursement processes for Pell Grants and Direct Loans, and provides optional common reporting opportunities for campus-based programs
- Integrates a common process with a system designed to support origination, ***disbursement***, and reporting
- Increases accountability and program integrity

Funding in COD

Funds Delivery

- Schools can draw down in GAPS the cash they will need to disburse within the next 3 business days.
- Schools can choose to have COD initiate drawdowns on the school's behalf based on accepted actual disbursement records.



Funding in COD

- Advance Payment -- Pell Program
 - Initial CFL created in Spring
 - Schools cannot draw cash in GAPS that exceeds their CFL.
 - Schools submit disbursement records to COD that adjusts CFL.
 - CFL level in GAPS is not increased until initial CFL has been exceeded.

Funding in COD

- Advance Payment Method – Direct Loan
 - Initial CFL created at Beginning of Program Year (Feb.)
 - CFL increases as a school submits disbursement records to COD.
 - Schools draw down their current cash needs in GAPS.

Funding in COD

- Just in Time/Pushed Cash Method
 - Funding driven by actual disbursement records
 - “Actual” = 7 days in advance
 - Funded Disbursement Listing (FDL) is Generated by COD (under development for Pell)
 - Cash sent electronically to school’s bank account.

Funding in COD

- Funds are available based on actual disbursement records
 - Records are accepted 30 days out for Pell
 - CFL is increased 7 days out

Funding in COD

- Heightened Cash Monitoring and Reimbursement Schools
 - Must pay students in advance
 - Disbursement records accepted on or after disbursement date

Cash Management Requirements

- 30-Day Reporting Requirement
 - 685.301(d) Direct Loan
 - 685.83 Pell (and annual deadline notice)
- 3-Day Cash Rule
 - 668.162(b)
- Monthly Reconciliation
 - 685.102(b) Direct Loan

Closeout

- Direct Loan
 - 2001-02 = 12/31/02
 - 2002-03 = 7/31/04
- Pell Program
 - 2001-02 = 9/30/02
 - 2002-03 = 9/30/03
- Extended Processing
 - Borrower Based AY (DL)
 - Administrative Relief
 - Will accommodate new regulations

COD Cash Management Tools

■ COD Web Pages

- Provide up to date information about funds drawn by school
- Allow for easy comparison of accepted student level disbursement records to funds
- Allow easy view of Current Funding Level
- Show GAPS activity
- Provide for self-assessment of cash management compliance

COD Cash Management Tools

- Aging of Drawdowns
 - Each drawdown is aged to see how long it takes to “substantiate” the draw
 - Lets a school know at any point how much funds have not been substantiated
- Funds are available based on actual disbursement records
 - Records are accepted 30 days out
 - CFL is increased 7 days out

COD Cash Management Tools

- Customer Service assistance
 - Primary representative for each School/Service
 - Performs outreach activities including for funding issues (calls & warning messages)
 - Reconciliation Team
 - Provides Funds Management Support to Schools
 - Has access to GAPS information

COD Web Pages

- School Summary Information
- School Funding Information
- School Summary Financial Information
- Refunds of Cash Information
- Cash Activity
- Yearly Totals

COD Cash Management Tools

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- Allow easy view of Current Funding Level
- Show GAPS activity
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U.S. DEPARTMENT OF EDUCATION
COMMON ORIGATION & DISBURSEMENT



Person

School

Batch

Award

Reports

School Search

School Information

School Summary

Financial Aid Contact

Eligibility

General

Options

Funding Info

Summary Financial Info

Refunds of Cash

Cash Activity

Events

Message List

Yearly Totals

School Summary Information

TUSKEGEE UNIVERSITY

Contacts

Type	Name	Phone
Direct Loan Financial Aid Officer	BARBARA HOWARD	(334) 724- 4815
Pell Financial Aid Officer	BARBARA T. CHISHOLM	(334) 727- 8201
FINANCIAL AID ADMINISTRATOR	BARBARA T CHISHOLM	(334) 727- 8201

Summary

PELL

Cash > Accepted & Posted
Disbursements & older
than 30 days \$36,900.00

% of Cash > Accepted &
Posted Disbursements 97.4%

Cash > Accepted & Posted
Disbursements \$36,900.00

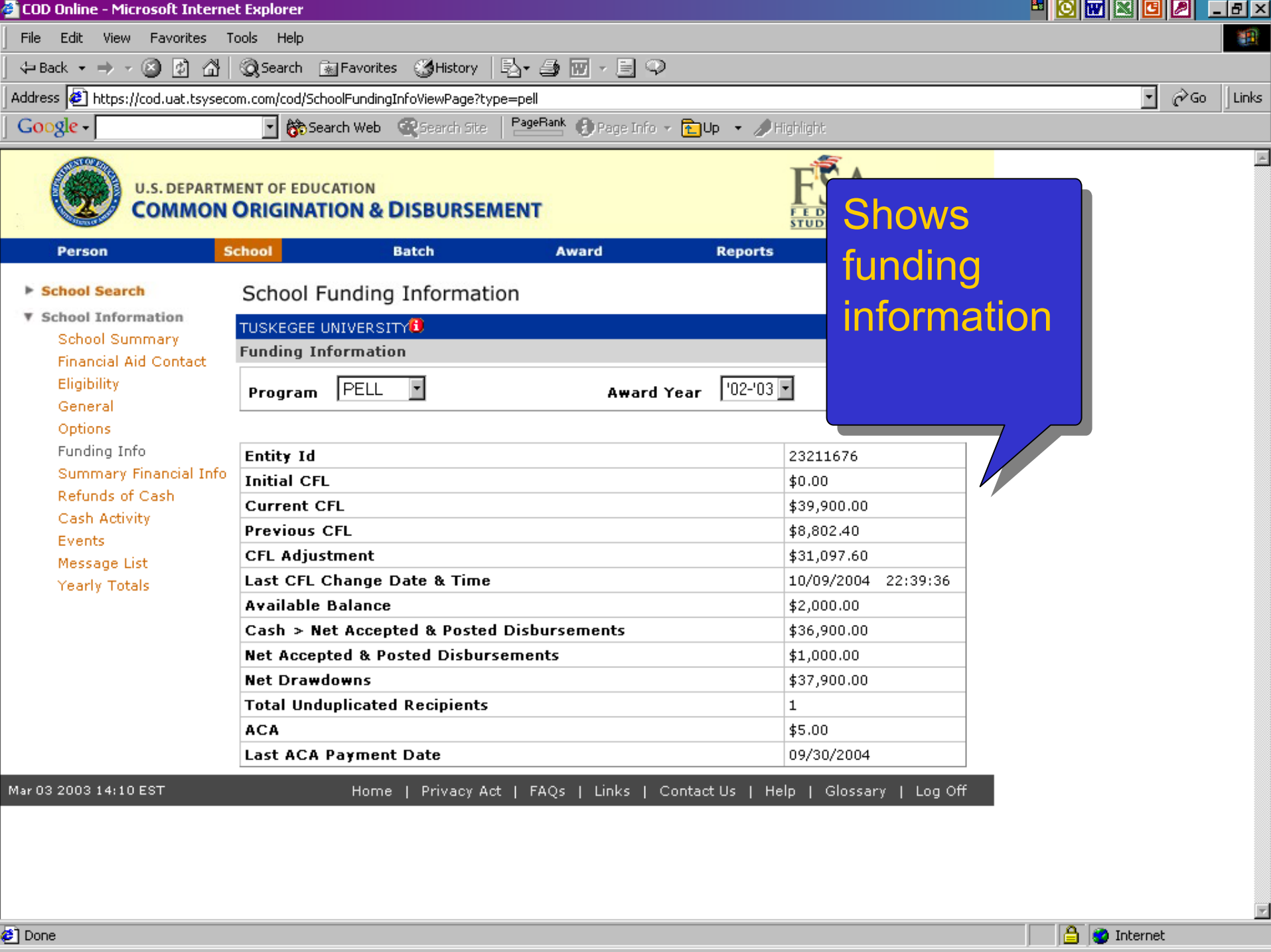
Current CFL \$39,900.00

Summary
of financial
information

Main contact information

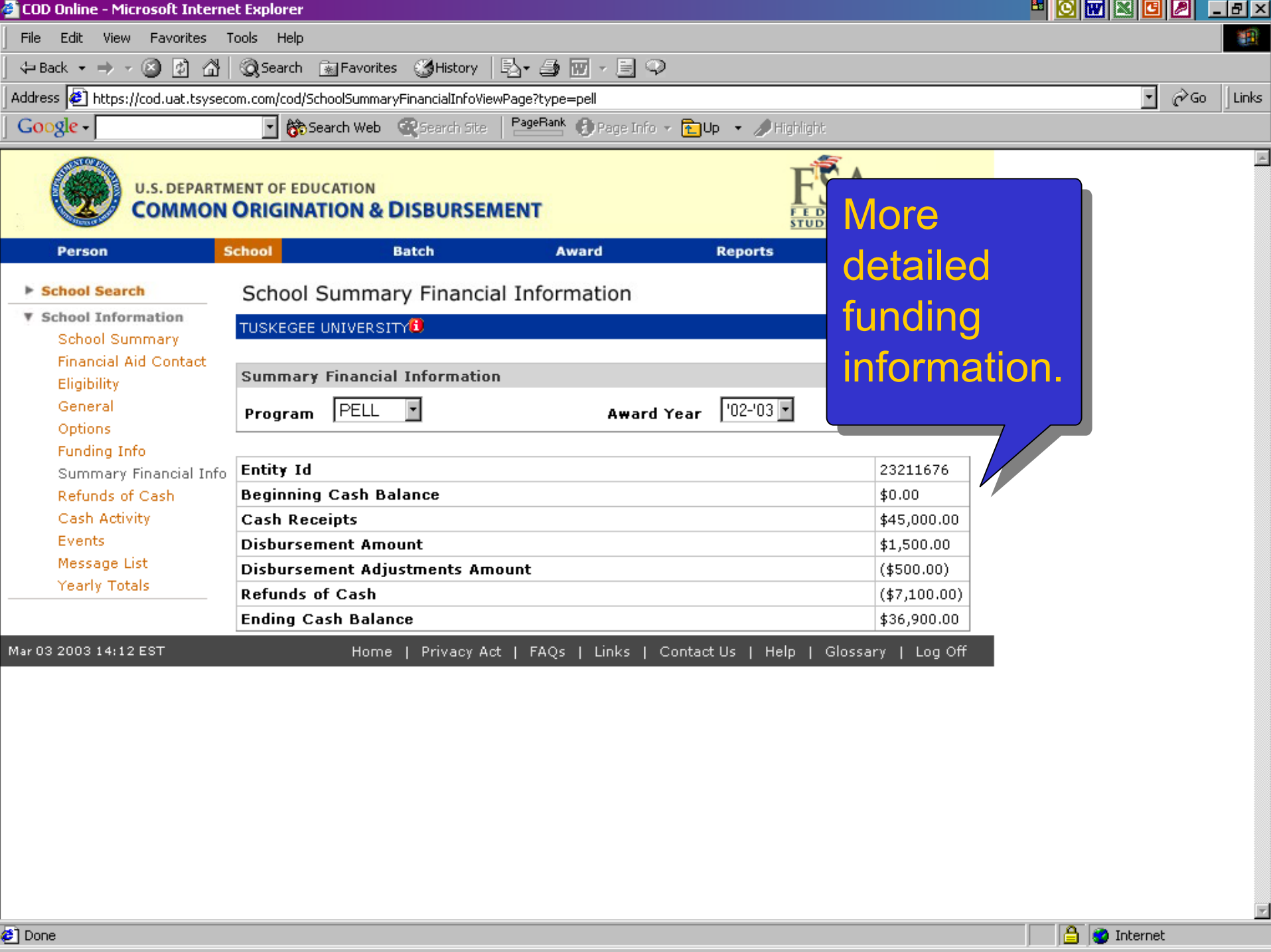
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Shows
funding
information

Entity Id	23211676
Initial CFL	\$0.00
Current CFL	\$39,900.00
Previous CFL	\$8,802.40
CFL Adjustment	\$31,097.60
Last CFL Change Date & Time	10/09/2004 22:39:36
Available Balance	\$2,000.00
Cash > Net Accepted & Posted Disbursements	\$36,900.00
Net Accepted & Posted Disbursements	\$1,000.00
Net Drawdowns	\$37,900.00
Total Unduplicated Recipients	1
ACA	\$5.00
Last ACA Payment Date	09/30/2004



More detailed funding information.

Entity Id	23211676
Beginning Cash Balance	\$0.00
Cash Receipts	\$45,000.00
Disbursement Amount	\$1,500.00
Disbursement Adjustments Amount	(\$500.00)
Refunds of Cash	(\$7,100.00)
Ending Cash Balance	\$36,900.00



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Reports

User

► **School Search**

▼ **School Information**

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Cash Activity

TUSKEGEE UNIVERSITY

Program/Year Selection

Program

Award Year

Cash Activity Summary

Net Draws \$37,900

Cash > Accepted & Posted Disbursements & older than 30 days \$36,900

	Totals		
Date of Transaction		10/29/2002	
Time		10:03:56 PM	4:14:52 PM
Drawdowns/Payments	\$45,000.00		
Drawdown Adjustments	\$0.00		
Refunds of Cash	(\$7,100.00)	(\$1,000.00)	(\$1,000.00)
Returns of Cash	\$0.00		
Drawdown Offsets	\$0.00		
Days Since Net Draws Increase			
Days Left For On-time Reporting			
Payment Control Number			
Accepted & Posted Disbursements Applied	\$1,000.00		
% of Accepted & Posted Disb. Applied to Net Draws	2.6%		
Cash > Accepted & Posted Disbursements	\$36,900.00		
% of Cash > Accepted & Posted Disbursements	97.4%		
Source System		COD	COD

Shows draw
downs and
any cash
activity

Amounts in parentheses decrease net draws



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Refunds of Cash Information

? HELP

TUSKEGEE UNIVERSITY

Refunds of Cash Information

Program

Award Year

Applied Date	Check Number	Amount Applied	Award Sequence	SF215/SF5515 Number	Comment
10/29/2004	123456	\$1,000.00	8956	123456	
10/24/2004	777	\$1,000.00	8956	123456	
09/10/2004	123	\$100.00	8956	123456	
09/08/2004	2	\$5,000.00	8956	23456700000000	
09/08/2004	1	(\$1,000.00)	8956	12345600000000	
09/04/2004	1	\$1,000.00	8956	12345600000000	

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School Yearly Totals

HELP

TUSKEGEE UNIVERSITY

Award Year: '02-'03

	Total Awarded	Total Disbursed	Recipients
Total Pell Awards	\$95,900.00	\$6,302.40	20
Total Direct Loan Awards	-	-	-
Total Subsidized	\$2,000.00	\$500.00	1
Total Unsubsidized	-	-	-
Total PLUS	\$2,000.00	\$0.00	

Shows by program:

- Total dollar amount for awards
- Total dollar amount for actual disbursements
- Total number of recipients for the selected school

QUESTIONS

We appreciate your feedback and comments. You can reach –

Brian Kerrigan Kathy Wicks

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Kathleen.Wicks@ed.gov