Volume 4
Processing Aid and Managing FSA Funds
Table of Contents

Introduction 4–1
Chapter 1—Requesting and Managing FSA Funds 4–3
Purpose of Cash Management Regulations 4–3
EDCAPS AND G5 4–4
EDCAPS 4–4
G5 Overview 4–4
Accessing G5 4–5
Setting up bank information 4–5
ACH 4–5
FEDWIRE 4–6
Obtaining a user ID and password 4–7
Using the user ID and password 4–7
Projecting cash needs 4–8
Immediate need 4–8
Timing issues 4–9
Recording payments 4–9
Delayed, denied, or reduced payment requests 4–9
Award Periods 4–9
Performance period 4–10
Liquidation period 4–10
Suspension period 4–10
Closeout period 4–11
Drawing Down FSA Funds 4–11
Drawing down funds in the Direct Loan Program 4–11
Drawing down funds in the Pell and TEACH Grant Programs 4–12
Drawing down funds in the Campus-Based Programs 4–12
Graphic, Cash Management and Reimbursement 4–13
Maintaining and Accounting for Funds 4–14
When a school does not maintain a separate account 4–14
Bank account notification requirements 4–14
Interest–bearing or investment account 4–15
Additional Perkins Loan requirements 4–15

Excess Cash 4–16
Allowable excess cash tolerances 4–16
Administrative Cost Allowance (ACA) 4–17
A School's Fiduciary Responsibility 4–18
Garnishment of FSA Funds is Prohibited 4–19
Escheating of FSA Funds is Prohibited 4–19

Chapter 2—Disbursing FSA Funds 4–21
Notifications 4–21
Notification of disbursement 4–21
General notification 4–21
Loan and TEACH Grant notification 4–21
Authorizations 4–24
Using electronic processes for notifications and authorizations 4–25
Power of attorney in disbursing FWS and Perkins funds 4–26
Checking Eligibility at the Time of Disbursement 4–27
Time Frames for Paying FSA Funds 4–28
Prompt disbursement (three-day) rules 4–28
Submitting disbursement records 4–28
Chart, Defining the Date of Disbursement 4–29
Disbursing FWS Wages 4–30
Crossover payment periods 4–30
Holding FWS funds on behalf of the student 4–30
Method of Disbursement 4–31
Credit to the student's account 4–31
Direct disbursement to the student 4–31
Institutional Charges 4–32
Institutional vs. non–institutional charges 4–32
Chart, Three Principles Associated with Institutional Charges 4–33
Paying Institutional Charges 4–34
Paying pass–through charges 4–34
Paying Prior–Year Charges 4–35
Apportioning and prorating charges 4–36
Example, Apportioning Charges 4–37
Time frame for paying FSA credit balances 4–39
Example, 14–day Time Frame for Paying Credit Balances 4–40
Paying FSA Credit Balances 4–41
Paying FSA credit balances by issuing a check 4–41
Paying FSA credit balances by initiating an EFT 4–41
Chart, Standards for School-Required Bank Accounts 4–42
When a school uses third-party servicers to disburse FSA funds 4–43
Chart, Third-party Servicer Agreements 4–44
School-issued stored-value cards 4–45

Chart, Requirements for Stored-Value and Prepaid Debit Cards 4–46
Special provisions for books and supplies 4–47
Time frame for returning an unclaimed Title IV credit balance 4–48
Holding FSA Credit Balances 4–49
Authorization to hold an FSA credit balance 4–49
Sample Authorization to Hold an FSA Credit Balance 4–50
Late Disbursements 4–51
Conditions for a late disbursement 4–51
Late disbursements that must be made vs. late disbursements that may be made 4–51
Limitations on making a late disbursement 4–52
Paying a late disbursement 4–53
Chart, Conditions and Limitations on Late Disbursements 4–54

Chapter 3—Overawards and Overpayments 4–55
Overawards 4–55
Pell Grants 4–56
Iraq and Afghanistan Service Grants 4–56
TEACH Grants 4–57
When a student has no need-based aid 4-57
When a student is receiving need-based aid 4-57
Teach Grant Overpayments—Examples 4–58
Campus–Based Programs 4–59
FWS Program 4–59
FSEOG Overpayments 4–59
Direct Loans 4–60
A resolved overaward may become an overpayment 4–61
When a Student Fails to Begin Attendance 4–62
When a student begins attendance on a less than half-time basis 4–63
When funds are considered to have been returned for a student who fails to begin attendance 4–63
Treatment of Overpayments 4–64
Overpayments for which the school is responsible 4–64
Prohibition on receiving funds for enrollment at more than one school and Potential Overawards (POP) 4–65
Concurrent Enrollment 4-65
Pell Potential Overaward Process (POP) 4-66
Overpayments for which the student is responsible 4–68
Exceptions to student liability 4–70
Overpayments created by inadvertent overborrowing 4–71
Repayment of the excess loan amount 4–72
Satisfactory repayment arrangements 4–72
Recording student payments and reductions in the Direct Loan Program 4–74
Returning Direct Loan funds 4–74
Recording student payments and reductions in the Pell Grant, Iraq and Afghanistan Service Grant, and TEACH Grant Programs 4–75

Reporting Overpayments to NSLDS 4–76
Referring Overpayments 4–77
Referring overpayments to Debt Resolution Services 4–77
School responsibility after referral and accepting payments on referred overpayments 4–78
Responsibilities of Debt Resolution Services 4–80
Suggested Format, Information Required When Referring Student Overpayments to Debt Resolution Services 4–81

Chapter 4—Returning FSA Funds 4–83
Returning Funds 4–83
Returning funds by depositing them in a school account 4–84
Returning funds by depositing them in a federal funds account 4–84
Return of Title IV funds when a school does not maintain a separate federal bank account 4–84
When Funds are Considered to Have Been Returned 4–85
Returning Funds From an Audit or Program Review 4–85
Downward Adjustment of FSA Grant Disbursement Records and Direct Loan Disbursement Records Required 4–86
Returning Direct Loan Funds 4–86
Returning Funds After 240 Days 4–88
Returning Funds through G5 for Both Open and Closed Awards 4-89
Returning Funds from FFEL Loans Purchased/Serviced by the Department 4–90

Chapter 5—Reconciliation and Reconciliation in the Pell Grant and Campus-Based Programs 4–91
The Importance of Title IV Reconciliation 4–91
Reconciliation and fiduciary responsibility 4–91
Who is responsible for reconciliation 4–93
Reconciliation and a school's coordinating official 4–93
Recommended general reconciliation practices 4–94
Internal reconciliation 4–95
External reconciliation 4–96
Reconciliation in The Pell Grant Program 4–96
Reconciling school-level data 4–97
Reconciling school-level data with COD Pell Grant data 4–98
Graphic, Sample Electronic Statement of Account (ESOA) 4-100
Final Reconciliation of a Pell Grant Award Year 4-101
Data Submission Deadline, Funding Cancellation Deadline , Funding Cancellation Deadline
Reconciliation, Records, and Internal Controls in The Campus–Based Programs 4-102
Reconciliation and the Federal Perkins Loan Program 4–102
Reconciliation and the Federal Supplemental Educational Opportunity Grant Program 4–103
Reconciliation and the Federal Work–Study Program 4–103

Chapter 6—Reconciliation in the Direct Loan Program 4–105

Overview of Direct Loan Reconciliation 4–105
Graphic, Reconciling ED and School Records 4–107
Internal Reconciliation for Direct Loans 4–108
Graphic, Discrepancies Between Financial Aid and Business Office 4–108
Graphic, Monthly Reconciliation Process 4–110
External Reconciliation 4–110
Documenting monthly reconciliation 4-110
Graphic, The External Reconciliation Process 4–111
Tools and Reports for Direct Loan Reconciliation 4–112
COD Reports and Websites 4–112
COD Reports, COD Websites
Direct Loan Tools *4–114*
The School Account Statement 4–114
Cash Summary 4–115
Disbursement Summary by Loan Type 4–116
Cash Detail 4–116
Loan Detail/Loan Disbursement Activity Level 4–116
Working With the SAS 4–117
Graphic, Reconciling Department and School Records 4–118
Graphic, Example of SAS Cash Summary 4–119
Graphic, Example of SAS Cash Detail 4–120
Loan Disbursement Detail 4–121
Timing issues and the School Account Statement 4–121
Graphic, Example of SAS Loan Detail (Disbursement Detail) 4–122
Graphic, Analysis of Sample Loan Disbursement Detail 4–123
Best Practices for Reconciliation 4–124
Best practices—establishing preventive procedures 4–124
Best practices—preparing for monthly reconciliation 4–124
Graphic, Sample Internal Report Comparing Financial Aid and Business Office Data for Loan Disbursements 4–125
Direct Loan year–end closeout 4–125
Graphic, Sample Report Comparing SAS and School Totals and Documenting Differences 4–126
Summary 4–127

Appendix A—Accounting Systems 4–129

Graphic, Requirements for Accounting and Internal Controls Systems at Schools Participating in the Title IV, Federal Student Assistance Programs 4–129
Accounting Records 4–130
Bookkeeping and recordkeeping 4–130
Fund Accounting Systems and the FSA Programs 4–131
Audit trails 4–132
Chart of Accounts 4–132

Chart, Examples of Information a School's Accounting System Must Be Able to Provide 4–134
Summary Chart of Accounts 4–136
Account Details 4-148

Appendix B—A School's Financial Management Systems 4–175
Financial Management Systems 4-175
The Network of Responsibilities 4-177
The CEO's Office 4-177
Graphic, CEO's/President's responsibilities 4-178
The financial aid office 4-179
Graphic, Responsibilities commonly assigned to a school's financial aid office 4-179
The business (bursar's) office 4-180
Graphic, Responsibilities commonly assigned to a school's business office 4-181
Synchronizing operations and responsibilities 4-182
Graphic, FWS Questionnaire on Network of Responsibilities 4-183
Internal Controls – A System of Checks and Balances 4-184
What is internal control 4-184
Components of Internal control 4-184
Control activities important in managing FSA funds 4-188
The separation of functions 4-188
Trial balance 4-190
Reconciliation of bank records 4-190
Reconciling FSA funds 4-191
Graphic, Example of An Audit Trail for an FSEOG Cash Draw 4-192
Electronic data processing (EDP) controls 4-193
Other checks and balances 4-194
Assigning specific duties to individual employees, Rotating job assignments. Mechanical devices and system safeguards
Policies and procedures manuals 4-195
Graphic, Examples of Topics that Should be Included in a School's FSA Policies and Procedures 4-196
Evaluating and Improving Your School's Financial Management Systems 4-198
Self-evaluation 4-198
Peer Evaluation 4-200