



THE U.S. Department of
EDUCATION



Session 19

Cash Management Overview

A - Z



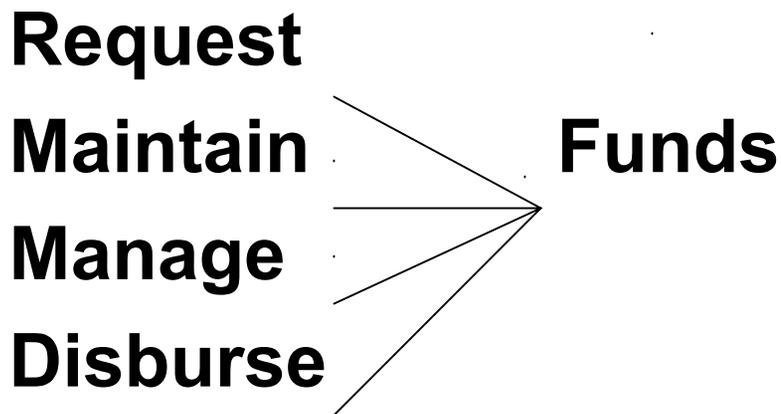
CASH MANAGEMENT PURPOSES

- **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

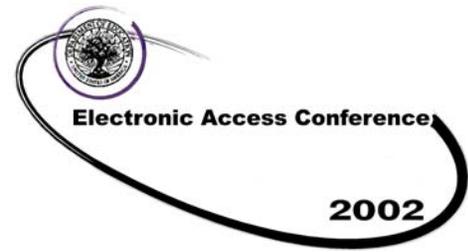
Secretary will require one, if he determines that :

- 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)

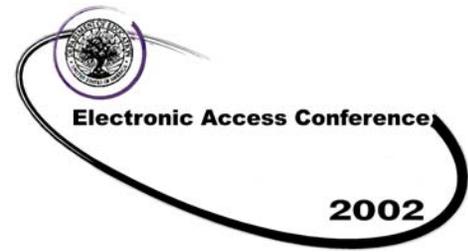
■ Institution

- 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.



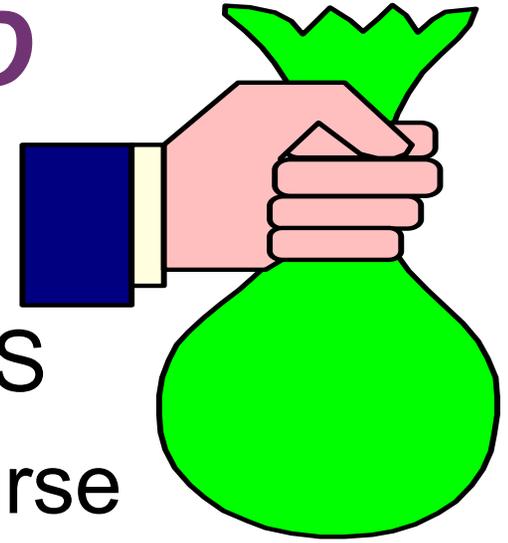
Common Origination and Disbursement

**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

■ COD Web Pages

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U.S. DEPARTMENT OF EDUCATION
COMMON ORIENTATION & DISBURSEMENT



Person **School** Batch Award Reports

- School Search
- School Information
 - School Summary
 - Financial Aid Contact
 - Eligibility
 - General
 - Options
 - Funding Info
 - Summary Financial Info
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 - 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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COMMON ORIGATION & DISBURSEMENT



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School Funding Information

TUSKEGEE UNIVERSITY

Funding Information

Program Award Year

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

Shows funding information



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COMMON ORIENTATION & DISBURSEMENT



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School Summary Financial Information

TUSKEGEE UNIVERSITY

Summary Financial Information

Program Award Year

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

More detailed funding information.



► **School Search**

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Cash Activity

TUSKEGEE UNIVERSITY i

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	



School Search

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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 –

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