

Contents – Part 2

CHAPTER 11 – ACCOUNTING SYSTEMS AND PROCEDURES	1
Accounting Records	1
Bookkeeping and record keeping	1
Fund Accounting Systems and the FSA programs	2
Audit trails	3
Chart of accounts	3
Summary chart of accounts	5
CHAPTER 12 – FINANCIAL MANAGEMENT SYSTEMS	45
Financial Management Systems	45
The Network of Responsibilities	47
The CEO’s office	47
The financial aid office	49
The business (bursar’s) office	50
Synchronizing operations and responsibilities	52
Internal Controls – A System of Check and Balances	54
What is internal control	54
Components of internal control	54
Control activities important in managing FSA funds	58
<i>The separation of functions</i>	58
<i>Trial balance</i>	60
<i>Reconciliation of bank records</i>	60
<i>Reconciling FSA funds</i>	61
<i>Electronic data processing (EDP) controls</i>	63
Other checks and balances	64
<i>Assigning specific duties to individual employees</i>	64
<i>Rotating job assignments</i>	64
<i>Mechanical devices and system safeguards</i>	64
Policies and procedures manuals	65
Evaluating And Improving Your School’s Financial Management Systems	67
Self-evaluation	67
Peer evaluation	69
CHAPTER 13 – MANAGING FEDERAL FUNDS	71
Purpose Of Cash Management Regulations	71
Grant Administration and Payment System (GAPS)	72
EDCAPS	72
GAPS Overview	72
Accessing GAPS	73
Setting up bank information	73
ACH	73

<i>ACH processing times</i>	73
FEDWIRE	74
<i>FEDWIRE processing time</i>	74
Obtaining a user ID and password	75
<i>Using the user ID and password</i>	75
Current Funding Level & GAPS	75
The Ways in which ED provides FSA funds	76
The advance payment method	76
Increased levels of monitoring	78
<i>The reimbursement payment method</i>	78
<i>The cash monitoring payment methods</i>	79
Maintaining and Accounting for Funds	82
Bank account notification requirements	82
When a school doesn't maintain a separate federal bank account	82
<i>Special rules applicable to the timely return of FSA funds when a school does not maintain a separate federal bank account</i>	83
Accounting and financial requirements	83
Interest-bearing or investment account.....	84
Perkins Loan funds	84
Projecting Cash Needs	85
Immediate need.....	85
<i>Timing issues</i>	86
Requesting Cash	86
Recording payments	86
Delayed, denied, or reduced payment requests	86
Award Periods.....	87
<i>Performance Period</i>	87
<i>Liquidation Period</i>	88
<i>Suspension Period</i>	88
<i>Closeout Period</i>	88

CHAPTER 14 – GENERAL RULES FOR DISBURSING AND

RETURNING FSA FUNDS	89
Notification of Disbursement	89
Required Student/Parent Authorizations	91
Loan Disclosure Statement	92
Using Electronic Processes for notifications & authorizations	93
The E-Sign Act	93
Disbursing Funds	94
Checking eligibility at the time of disbursement.....	94
Defining the date of disbursement	95
<i>Exceptions</i>	95
Method of Disbursement	96
Crediting the student's account	96
<i>Prior-year charges</i>	96
Direct disbursement to the student	97

Disbursing PLUS loan credit balances	97
Rules applicable to contracts and consortia	98
<i>Consortia</i>	98
<i>Contracts</i>	98
Payment Periods	99
Payment period for term-based credit hour programs	99
Payment period for clock hour programs	100
<i>Payment period for clock-hour programs of an academic year or less</i>	100
<i>Payment period for clock-hour programs with two or more academic years</i>	101
<i>Clock-hour programs longer than an academic year with a remaining portion</i>	101
Payment periods for programs that measure progress in credit hours and do not have academic terms (nonterm credit hour programs)	103
Payment period for programs measured in credit hours without academic terms where the program is one academic year or less	104
Payment periods for credit hour programs without academic terms that are two or more academic years	104
Payment periods for credit hour programs without academic terms that are longer than an academic year with a remaining portion	104
When a school chooses to have more than two payment periods per academic year	105
Payment periods and the return of FSA funds	105
Payment periods and eligibility for FFEL or Direct loans	106
Disbursement by Payment Period	106
Timing of Disbursements	107
Early Disbursements	107
Early disbursement to a student enrolled in modules	108
When a school makes an early disbursement to a student who fails to begin attendance	108
Number of Stafford/PLUS disbursements: standard terms and substantially equal nonstandard terms	109
Number of Stafford/PLUS disbursements: 1) credit hour programs without terms, 2) credit hour programs with non-standard terms that are not substantially equal in length, and 3) clock hour programs	109
Timing of Pell Grant disbursement within a payment period	110
Disbursing FSEOG & Perkins	110
Retroactive disbursements for completed periods	110
Completion of Coursework Requirements	111
Pell Grants	111
Stafford and PLUS loans in clock hour programs	111
Example of completion requirement in a modular program	112
Stafford and PLUS loans in credit hour programs without terms, credit hour programs with nonstandard terms that are not substantially equal in length and clock hour programs	112
Excused absences	112
Retaking Coursework	113
Term-based credit-hour programs	113
Clock hour and nonterm credit hour programs	114
<i>Withdrawal and reentry within 180 days</i>	114
<i>Withdrawal and reentry after 180 days</i>	114
<i>Repeating after program completion</i>	114

Late Disbursements	115
Conditions for a late disbursement	115
Late disbursements that must be made vs. late disbursements that may be made	115
Limitations on making a late disbursement	116
Paying a late disbursement	119
Prompt Disbursement Rules	119
Holding FFEL funds if student is temporarily ineligible	120
Holding Stafford loan funds for verification	120
Excess Cash	121
Allowable excess cash tolerances	121
Title IV Credit Balances	123
Holding credit balances	124
Prior-year charges	125
Schools are prohibited from allowing FSA credit balances to escheat	125
School issued smart cards	126
Bank-issued stored-valued cards	127
When a school enters into a contract with a third-party to issue debit, demand, or smart cards	129
Paying room charges to a third-party (pass-through)	130
Power of Attorney	131
Returning Funds	132
Returning funds from an audit or program review	134

CHAPTER 15 – COMMON ORIGATION AND DISBURSEMENT 135

Common Origination and Disbursement	135
Customer Service	136
Record Layout	138

CHAPTER 16 – THE BUSINESS OFFICE AND THE FEDERAL PELL GRANT PROGRAM..... 139

The Federal Pell Grant Program	139
Definitions	139
Choosing A Formula	141
Determining Enrollment Status	141
Calculating The Cost Of Attendance	141
Determining The Annual Award	142
Confirming Student Eligibility	142
Pell Grants And Cod	143
Unprocessed deobligations	146
Disbursing Pell Grant Funds	147
Recovery of Pell Grant overpayments and restoring the Pell Grant fund	149
Reconciliation in the Pell Grant program	150
Reconciling school-level data	151
Reconciling school-level data with COD	151
Reconciling with GAPS	153

CHAPTER 17 – THE BUSINESS OFFICE AND THE

DIRECT LOAN PROGRAM	155
Overview of the Direct Loan Program	155
Types of Direct Loans	155
The Promissory Note	156
Multi-year use of the MPN	157
Single-year use of the MPN	157
Schools using school-developed promissory notes	157
The Disclosure Statement	158
The Plain Language Disclosure (PLD)	158
School Responsibilities	159
Establishing Borrower Eligibility	159
Establishing A Confirmation Process	160
Borrower confirmation	160
Establishing a confirmation process for Stafford Loans	160
Originating Direct loans	162
Counseling Students	162
Requesting Direct Loan Cash	163
Estimating drawdown requests	163
Submitting actual disbursement records	164
Timing drawdown requests	165
Receiving Direct Loan cash	165
Disbursing Direct Loan Cash	166
The MPN and disbursing Direct Loan cash	166
Internal controls and master promissory notes	166
Reporting disbursements	168
Checking eligibility at the time of disbursement	168
Processing Direct Loan funds	169
When a student who has received Direct Loan funds fails to begin attendance	170
Number of Direct Loan disbursements: standard terms and substantially equal nonstandard terms	172
Number of Direct Loan disbursements: 1) credit hour programs without terms, 2) credit hour programs with non-standard terms that are not substantially equal in length, and 3) clock hour programs	172
Administrative And Fiscal Management Functions	173
Enrollment reporting with NSLDS and the roster file	173
Providing borrower information at separation	174
Other notifications	174
Reconciliation and Closeout	175
Reconciliation	175
Closeout	177
Loan Concepts for the Business Office	178

CHAPTER 18 – THE BUSINESS OFFICE AND THE CAMPUS-BASED PROGRAMS OVERVIEW	181
Campus-Based Programs Overview	181
The Funding Process	182
Applying for funds	182
<i>The Application to Participate</i>	182
Allocation of funds	183
<i>Allocation schedule</i>	183
Releasing Unexpended Funds	184
Payment Methods and Conditions	185
Overview of Federal and Nonfederal Shares (Matching).....	186
Administrative Cost Allowance (ACA).....	187
Funds Available for Awards	188
FWS and FSEOG Carry Forward and Carry Back	190
Carry back funds for summer FWS employment and FSEOG awards	190
Reporting funds carried forward and back	191
FWS limitations on use of funds carried forward or back	191
Projecting Need	192
Timing Issues	193
Drawing Down Funds	193
The Fiscal Operations Report	195
FSEOG Program Specific Rules.....	199
FSEOG Federal Share	199
FSEOG Non-Federal Share	199
<i>Use of LEAP/SLEAP in matching</i>	200
<i>Matching the FSEOG federal share</i>	201
<i>Individual recipient basis, Aggregate basis, Fund-specific basis</i>	
Frequency and Amount of FSEOG disbursements	202
<i>Uneven costs/unequal disbursements</i>	202
Internal controls in the FSEOG Program –reconciliation, fiscal and program records	203
Federal Work-Study Specific Rules	204
Federal and non-federal share	204
<i>FWS nonfederal share sources</i>	205
FWS conditions of employment and limitations	206
Community service jobs	207
Math and reading tutors	207
<i>Waivers of the community service and/or math and reading tutor requirements</i>	208
Payment for FWS training and/or travel.....	208
Reallocated FWS funds	209
Job Location and Development Program	209
Work-Colleges Program	209
Job descriptions	211
Establishing wage rates	212
Records and reporting in the FWS program	213
<i>Timesheets</i>	213

<i>Payroll vouchers</i>	213
<i>Records of noncash contributions</i>	214
Paying students	215
Authorizations	216
Holding FWS funds	216
Crediting student accounts	217
Garnishment of wages	217
Earnings for the next period of enrollment	217
Earnings for periods of nonattendance	218
Earnings during mini-sessions	218
Off-campus agreements	219
Providing the federal share or billing for the employer's share	220
Internal controls in the FWS Program –reconciliation, fiscal and program records	221
The Federal Perkins Loan Program	222
Perkins federal share	222
Perkins non-federal share	222
Level of expenditure (LOE)	223
Excess cash	223
Disbursing Federal Perkins funds	224
Pre-disbursement Activities	224
<i>Ensuring you have a valid promissory note</i>	224
<i>Master promissory note</i>	225
<i>Making changes to the MPN</i>	226
<i>Disclosure and entrance counseling</i>	227
Disbursing Federal Perkins loans	231
Loans to borrowers enrolled less than halftime	232
Post-disbursement	232
<i>Credit bureau reporting</i>	232
<i>NSLDS Reporting</i>	233
<i>Return of funds</i>	233
<i>When a student ceases to be enrolled at least half time</i>	233
Exit Counseling	234
Providing Repayment Information	236
Pre-collection Activities During the Grace Period	240
Billing Procedures and Late Penalties	241
Collection Procedures	243
<i>Collection costs and costs chargeable to the fund</i>	244
<i>Assessing and documenting costs</i>	246
<i>Using billing and collection firms</i>	246
<i>Ceasing collection</i>	247
Writing off accounts	248
Litigation	248
Alternatives to litigation	249
Federal Perkins Loan forbearance	250
Federal Perkins Loan deferments	251
<i>Deferment and default</i>	252

Federal Perkins Loan Cancellation	252
<i>Canceling a defaulted loan</i>	253
<i>Reimbursement to schools for loan cancellation</i>	253
Discharging Federal Perkins Loans	254
<i>Due to death or total and permanent disability</i>	254
<i>Closed school discharge</i>	255
<i>Bankruptcy discharge</i>	256
<i>Responding to complaint for determination of dischargeability</i>	256
<i>Procedures for responding to proposed Chapter 13 repayment plan</i>	257
<i>Bankruptcies filed before October 8, 1998</i>	258
<i>Resuming/terminating billing and collection</i>	259
Assigning Loans to the Department	259
<i>Required documentation</i>	259
Internal Controls in the Federal Perkins Loan Program – Reconciliation, Fiscal and Program Records	260
When One of Your Federal Perkins Loans is Consolidated	261

CHAPTER 19 – THE FEDERAL FAMILY EDUCATION

LOAN PROGRAM	263
Overview of The Federal Family Education Loan Program	263
Types of FFELP Loans	263
The Promissory Note	264
Multi-year use of the MPN	264
Single-year use of the MPN	265
The Disclosure Statement	265
The Plain Language Disclosure (PLD)	265
School Responsibilities	265
Establishing Borrower Eligibility	266
Establishing A Confirmation Process	266
Borrower confirmation	266
Establishing a confirmation process for Stafford Loans	267
Certifying FFEL Program Loans	268
Counseling Students	269
Requesting FFELP Funds	269
Receiving FFEL Program Loan Funds	270
Electronic funds transfer (EFT) and master checks	270
Individual checks	271
Disbursing FFELP Funds	272
Checking eligibility at the time of disbursement	272
Processing FFELP Funds	273
When a student who has received FFEL Program loan funds fails to begin attendance	274
Number of FFELP disbursements: standard terms and substantially equal nonstandard terms	274

Number of FFELP disbursements: 1) credit hour programs without terms, 2) credit hour programs with non-standard terms that are not substantially equal in length, and 3) clock hour programs	275
Time frame to disburse FFELP loan funds or return them	275
Administrative and Fiscal Management Functions	276
Enrollment reporting with NSLDS and the roster file	276
Providing borrower information at separation	277
Other notifications to lenders and guarantors	278
Loan Concepts For The Business Office	278

APPENDIX A – GLOSSARY

APPENDIX B – ACRONYMS

APPENDIX C – REFERENCES

APPENDIX D – TECHNICAL RESOURCES AND ASSISTANCE

APPENDIX E – MISCELLANEOUS BUSINESS OFFICE FUNCTIONS

APPENDIX F – THE FSA ASSESSMENT TOOL

APPENDIX G – OVERAWARDS, OVERPAYMENTS, AND RETURNS