
Reconciliation

RECONCILIATION

Reconciliation and fiduciary responsibility

Except for funds received by a school for administrative expenses and for funds used for the Job Location and Development (JLD) Program, funds received by a school under the federal student aid (FSA) programs are held in trust for the intended student beneficiaries. As a trustee of those funds, a school must have procedures in place that ensure FSA funds are used as intended.

The cash management regulations establish rules and procedures that a school must follow in requesting and managing FSA program funds. Under the cash management regulations, a school has a fiduciary responsibility to have a system in place to:

- ◆ safeguard FSA funds,
- ◆ ensure FSA funds are used only for the purposes intended,
- ◆ act on the student's behalf to repay a student's FSA education loan debt when the school is unable to pay a credit balance directly to the student, and
- ◆ return to the Department any FSA funds that cannot be used as intended.



Failure to have such a system in place calls into question a school's administrative capability, its fiscal responsibility, and its system of internal controls. In short, it calls into question a school's qualifications to participate in the FSA programs.

A key component of the system described is the process of **Reconciliation**. Reconciliation is a process in which financial records are compared and discrepancies resolved. Conducting verification frequently can help ensure that your school is properly exercising its fiduciary responsibilities to safeguard federal funds and ensure that they are used as intended.



Internal controls in automated systems

Since no one person may have the ability to change data that affect both authorization and disbursement, if award entries made by the financial aid office automatically roll over and populate award fields in the business office, then the separation of functions must take place elsewhere.

For example, if your system automatically awards funds based on a student's budget, then your system must ensure that only employees with a special security standing can change those budgets or otherwise modify a student's award. In addition your system must be able to identify any employee who makes a change to a data element that can affect the level of a student's award (anyone who initiates a budget or award override).

Your school should have documented reconciliation procedures that describe who, how, and when your school will reconcile. You should review these procedures regularly to identify issues and make any necessary improvements. Your school must meet all cash management and disbursement reporting requirements. Regular reconciliation can help identify and resolve discrepancies so your school can stay in compliance.

Title IV reconciliation is the process by which a school reviews and compares Title IV aid (grants, loans, and Campus-Based aid) recorded on the Department's systems with the information in the school's internal records. Through reconciliation, disbursement and cash discrepancies are identified and resolved in a timely manner to ensure the school meets all regulatory requirements. Schools must document their reconciliation efforts and retain this documentation for auditing purposes.

If completed on a regular basis, reconciliation can assist schools in determining whether the disbursement reporting and excess cash deadlines noted here are being met and whether any additional data needs to be submitted to ensure all school data is reflected correctly in the Department's records. For the Direct Loan program, schools must reconcile at least monthly to meet regulatory requirements.

When a school compares business office records of funds requested, received, disbursed, and returned to financial aid office records of funds awarded to students it is performing **internal reconciliation**. When the school compares its reconciled internal records to the Department's records of funds received and returned, and of grants or loans originated and disbursed to students at the school, it is performing **external reconciliation**. When it performs external reconciliation, a school is ensuring that the Department's records reconcile with the school's records, both at the cumulative and individual student levels.

At a minimum, your school should reconcile its FSA financial records monthly. However, the more frequently your school performs reconciliation, the more likely you will be able to identify issues and resolve them before they become part of a systemic problem. Frequent reconciliation is an important internal control procedure that can make a significant contribution to increasing the overall program integrity of the FSA programs at your school. In addition, schools that have systems in place to compare and identify discrepancies between their internal records and data from Department reports will find that the required monthly reconciliation is much easier and makes closing out a year less time consuming.



Speak with your school’s administrative software systems specialists about creating a program that compares COD student level data to:

- ◆ student Title IV award information maintained separately by the financial aid office; to
- ◆ Title IV funds posted to each student’s account

–and reports exceptions found during the comparison process.

The following are conditions might cause the type of discrepancies you can identify by using COD reports in your school’s reconciliation process.

- ◆ A recipient’s disbursement data appears on the school’s records for an award amount less than the amount shown in the COD system;
- ◆ A recipient’s data appears on the school’s records for an award amount greater than the amount shown in the COD system; and
- ◆ A recipient’s disbursement data appears on the school’s records but does not appear in the COD system.

Note: The Department has reviewed the operation of schools where the schools’ administrative systems generate reports whenever data in the schools’ business and financial aid offices do not agree (sometimes as often as daily). The schools’ Directors of Financial Aid and its Business Officers meet whenever the reports are generated to resolve discrepancies. We found that at these schools, the annual internal closeout takes hours rather than days and that time required for reconciliation with the Department’s data is equally reduced.

Who is responsible for reconciliation

Because each office has access to and expertise with data needed to facilitate the process, cooperation between the business and financial aid offices is essential if reconciliation of FSA funds is to be successful. For example, the financial aid office will likely be the source of information to and reports from the COD system, whereas the business office is generally responsible for G5 and student accounts.

While it is possible and even advisable for financial aid and business office staff to be able to view information in each other’s systems, there is no substitute for the direct involvement of professionals in each office in the reconciliation process.

COD reports

The Common Origination and Disbursement (COD) Technical Reference, Volume VI, Section 8 – Reports can be found at: <https://ifap.ed.gov/ifap/publications.jsp>.

Click on *COD Technical Reference* and choose the appropriate Award Year.

IMPORTANT

Reconciliation is a process that a school must perform in operating the FSA programs. It is also a tool that a school should use to ensure that its management of the FSA programs is optimal. Most importantly, reconciliation is a shared responsibility. That is, the business office and the financial aid office are equally responsible for performing the periodic reconciliation that is required to make certain that a school is managing the FSA programs as they should be managed. This responsibility involves much more than the mere sharing of reports. It requires joint action by the financial aid and business office to identify discrepancies and to correct them in a timely manner.

***Reconciliation and a school's coordinating official***

Department regulations require that every participating school designate a capable individual to coordinate aid from the FSA programs with all other aid received by students attending the school. The coordinating official is responsible for ensuring that the school has a system for identifying and resolving discrepancies in FSA-related information no matter where it occurs at the school. Note that resolution includes determining what information is correct **and** correcting the inaccurate data.

The Department does not specify the office in which your school's coordinating official must work. Neither do we specify the type of system your school must have to reconcile its data internally and externally. The Department does require that your school have a coordinating official and that your school performs reconciliation.

Recommended practices

A key factor in facilitating reconciliation is staying on top of the process. The Department encourages schools to:

- ◆ define responsibilities of key individuals and offices;
- ◆ document your reconciliation procedures;
- ◆ build in regular communication between your business office, financial aid office, and school's technical staff;
- ◆ compare internal student accounts and business office/bursar records with financial aid office records and resolve any discrepancies;
- ◆ balance all subsidiary accounts to the general ledger;
- ◆ ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year;
- ◆ ensure that all batches have been sent to and accepted by the COD system, all disbursements and adjustments are accurately reflected on the COD system, and all responses are imported into the school's system;

Contact Information

For disbursement reporting, excess cash, or reconciliation questions specific to the Federal Pell Grant or Direct Loan programs, contact the COD School Relations Center at 1-800-474-7268 for Grants and 1-800-848-0978 for Direct Loans. You may also e-mail CODSupport@acs-inc.com.

For reconciliation questions specific to the Federal Work-Study, Federal Supplemental Educational Opportunity Grant, or Federal Perkins Loan programs, contact the Campus-Based Call Center at 1-877-801-7168. You may also e-mail CBFOB@ed.gov.

- ◆ for Direct Loans, ensure that all unbooked loans are booked or inactivated (reduced to \$0);
- ◆ resolve all outstanding rejected records;
- ◆ return all refunds of cash via G5; and
- ◆ request any remaining funds owed to the school based on actual disbursements accepted by the COD System.

Internal Reconciliation

Before you can compare your school's records to the Department's records, you must ensure the financial aid office and the business office agree on the amount of funds that should have been drawn down from G5 to cover the funds disbursed to students for that month only.

Therefore, the first step in the reconciliation process must be to confirm that business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student award and scheduled disbursement amounts.

So, you could begin the internal reconciliation process by comparing a monthly financial aid office roster of scheduled disbursements to a monthly business office cash detail report that reflects funds drawn down and funds disbursed for the month. If you discover discrepancies, you must resolve them.

In addition, you should also compare business office and financial aid office records of adjustments (refunds of cash) made during the month. Often, Returns due to withdrawals performed by the financial aid office aren't applied by the business office. Just as often, adjustments made by the business office aren't noted in the financial aid office. Either of these omissions can cause an internal discrepancy that will affect a school's Ending Cash Balance and should be resolved before a school begins its external reconciliation process.

Remember, no matter the method you choose to perform internal reconciliation, the Department advises you to complete that process before you begin external reconciliation.

External Reconciliation

During Internal Reconciliation, the school will have resolved any differences between records in the financial aid office and those in the business office. In external reconciliation, a school will reconcile its records to the Department's records.

More on Internal Reconciliation

Internal reconciliation may also include additional steps, such as ensuring that bank statements correctly reflect all funds drawn or returned for the month and that this information matches the school's ledgers and other internal records; and ensuring that any returns of Title IV Aid calculated by the financial aid office are reflected correctly in business office student account records and that any funds not necessary for immediate use have been returned to the Department.

NEW**Time frame for Submitting Disbursements**

For disbursements (or adjustments to previously made disbursements) made prior to April 1, 2013, a school must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records, as applicable, no later than 30 days after making the disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement.

For disbursements (or adjustments to previously made disbursements) made on or after April 1, 2013, a school must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records, as applicable, no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement.

The Department considers that Federal Pell Grant and Iraq and Afghanistan Service Grant funds are disbursed on the date that the school: (a) credits those funds to a student's account in the school's general ledger or any subledger of the general ledger, or (b) pays those funds to a student directly. We consider that Federal Pell Grant and Iraq and Afghanistan Service Grant funds are disbursed even if a school uses its own funds in advance of receiving program funds from the Department.

A school's failure to submit disbursement records within the required time frame may result in the Department rejecting all or part of the reported disbursement. In addition, such failure may result in an audit or program review finding, and the Department may initiate an adverse action, such as a fine or other penalty for such failure.

Federal Register Volume 78, Number 40, February 28, 2013.

RECONCILIATION IN THE PELL GRANT PROGRAM

Monthly reconciliation for the Pell Grant Program should include verifying that individually and cumulatively the:

1. records of student awards and pending disbursements calculated and maintained by the financial aid office match the records of pending disbursement data received or maintained by the business office;
2. business office records of actual disbursements posted to student accounts are consistent with financial aid office records of student eligibility and applicable award and disbursement amounts;
3. records of disbursements in the general ledger match those in subsidiary ledgers (e.g. student ledgers/accounts);
4. the actual disbursements posted to students' accounts internally match the actual disbursements accepted in the COD system (including any adjustments to actual disbursements); and
5. cumulative school and COD records of Pell Grant disbursements match Net Draws (Drawdowns – Refunds of Cash) in G5 for the award year in the Pell Grant Program.

Reconciling school-level data

Whether you maintain your records electronically or on paper, comparing the records of Pell Grant awards made to students by the financial aid office to the records of Pell Grant disbursements recorded in individual student accounts is not a complex task. If awards recorded by the aid office automatically populate the business office records, the data should always agree.

If your school's processes are automated, your systems' staff can create a program that compares the relevant data elements and generates an exception report that identifies discrepancies between business office and financial aid office data. Reconciliation of school level data functions is an internal control check mechanism. By reviewing the exception report on a daily basis, the bursar ensures that the school's internal records agree and he or she also confirms that the school's system for communicating data between offices is functioning correctly.

Reconciling school-level data with COD Pell Grant data



Your school should reconcile all cash (Drawdowns and Refunds of Cash) and disbursement records (Actual Disbursements and Adjustments) with information in COD on an ongoing basis (External Reconciliation). This will greatly minimize the number of post deadline adjustments and help identify and resolve issues as they arise. There are many tools specific to the Pell Grant program available to assist you in your reconciliation efforts.

There are various COD tools your school can use in reconciling school level Pell Grant records of individual awards to students with individual student records maintained in COD.

- ◆ Pell Grant Reconciliation Report

The Pell Grant Reconciliation Report is a one-record student summary of processed records and can be helpful to your school as it completes both the year-end and ongoing reconciliation processes. This report can be downloaded, printed, or imported into a spreadsheet for comparison with your school's data. This report provides the total YTD disbursement amount per student as it is in COD.

- ◆ Pell Grant Electronic Statement of Account (ESOA)

The ESOA summarizes the status of a school's CFL versus the net drawdown for that award year. In addition, the ESOA provides (for the current processing day only) the YTD Unduplicated Recipient Count, the YTD Total Accepted and Posted Disbursements, the YTD Total ACA paid to schools, and the net drawdown payments in G5 up to the current processing day. That is, it provides the sum of school initiated drawdowns, direct payments for Obligate/Pay accounts, adjustments (+/-) less refunds and returns.

- ◆ Pending Disbursement List Report

The Pending Disbursement List Report contains disbursements not yet funded in COD. This "list by student" reports anticipated disbursements received and accepted, but not yet made, in a school's Pell Grant Program.

Resources

The COD School Relations staff at

1-800-474-7268

COD Support@ed.gov

is available to help you use the COD reports in the reconciliation process.

Note that the email address for COD School Relations is new.

TIP

- ◆ Pell Grant Year-to-Date (YTD) Record

A Pell Grant YTD Record can be requested for an individual student or for all Pell Grant recipients at your school. A YTD Record contains more detailed award and disbursement data than the Pell Grant Reconciliation Report. It contains information at the individual transaction level. The YTD Record can be used to replace a corrupt database or to reconcile records with accepted data on COD.

The YTD Record shows the award information that COD is using for each student. You can view each individual disbursement as well as the total disbursed to a student for the year. The YTD Summary will show the total number of recipients at your school, and the number of awards, and the disbursements accepted, rejected, or corrected. The detailed information in a YTD Record can help your school resolve discrepancies between school and COD data.

All schools must finalize reconciliation of cash and reporting of Pell Grant and Iraq and Afghanistan Service Grant disbursements and disbursement adjustments by the annual deadline of September 30 of the award year (i.e. for 2012–2013, the deadline will be September 30, 2013). Any adjustments to disbursements after that date may require a request for extended processing. Both programs are cancelled five years after the end of the award year, which means no disbursement or disbursement adjustments may be made after that time. Any funds that need to be returned after the five-year period must be returned directly to the Treasury. If you need assistance returning funds after the five year cancellation date, please contact G5 customer service at 1-888-336-8930.

RECONCILIATION IN THE DIRECT LOAN PROGRAM



In the Direct Loan Program, reconciliation is a **mandatory** monthly process requiring the comparison of records, both internally and externally. Reconciliation is conducted to identify and resolve differences between net draws (cash minus refunds of cash) through G5 and Net Accepted and Posted Disbursements (NAPD) (disbursements minus disbursement adjustments) reported to COD for a specific award year. For instance, a school that draws down \$10,000 in Direct Loan funds must be able to *substantiate* the need for that drawdown by reporting \$10,000 in booked disbursements to COD. If the school only reports \$9,000 in disbursements to COD, there is a remaining \$1,000 balance that is an *unsubstantiated* difference. The \$1,000 in unsubstantiated funds is referred to as the *Ending Cash Balance*. Whenever an Ending Cash Balance is anything other than \$0, a school must identify the discrepancy, document the reasons for its Ending Cash Balance, and resolve the discrepancy so that eventually the Ending Cash Balance is \$0 by the end of the school's processing year.

For more on reconciling your schools records to those of the Direct Loan Program, please see *Volume 7*.

Direct Loan monthly reconciliation required

34 CFR 685.102

Reconciliation Tools and Resources

- School Account Statement (SAS)
- COD website
- Direct Loan Tools software
- Student files
- financial aid office reports
- business office reports
- COD Customer Service

Reconciling school-level data with COD Direct Loan data

Your school should reconcile all cash (Drawdowns and Refunds of Cash) and disbursement records (Actual Disbursements and Adjustments) with information in COD on an ongoing basis (External Reconciliation). This will greatly minimize the number of post deadline adjustments and help identify and resolve issues as they arise. There are many tools specifically available to assist you in your reconciliation efforts.

Direct Loan School Account Statement (SAS)

COD generates a monthly award year specific School Account Statement (SAS) to schools participating in the Direct Loan Program and distributes it through the Student Aid Internet Gateway (SAIG). The SAS is similar to a bank statement and contains the Department's official Ending Cash Balance for your school and award year, as well as a record of all detailed transactions (cash and actual disbursement data) processed in the COD system during the reported period. Your school should use the summary and detail-level information contained in the SAS to reconcile against its internal records (External Reconciliation).

The SAS is generated the first full weekend of the month with data through the end of the previous month. Since the SAS is award year specific, you will receive a SAS for different award years; be sure that you are working with the appropriate year's data for each SAS comparison.

The SAS is broken down into four sections. For some of these sections, your school can request to receive year-to-date and/or monthly data. Information on SAS file layouts and report format options can be found in the COD Technical Reference, Volume VI, Section 8.

Cash Summary

The Cash Summary section of the SAS provides the Department's official Ending Cash Balance for your school for the reported period. It contains both a monthly and a year-to-date summary of cash and loan data processed at COD for that program year. This information is automatically included in the SAS. This section should be used to compare to summary information on the school's internal systems.

Disbursement Summary by Loan Type

The Disbursement Summary by Loan Type section of the SAS provides monthly and YTD summary information by loan type for the reported period. It can be used to monitor loan volumes at the summary level.

Cash Detail

The Cash Detail section of the SAS provides detail on cash transactions processed at COD during the reported period. This includes drawdowns, drawdown adjustments, or refunds of cash. If the monthly option is chosen, this section will only include cash transactions processed at COD during that month. This section will not include any cash transactions requested or sent during the month, but not processed on COD until after the last day of that month. If the year-to-date option is chosen, the section will include cash transactions processed at COD from the start of the program year through the end date of the report.

Disbursement Detail

Your schools can choose to receive either Loan Detail, Loan Level, or Loan Detail Disbursement Activity Level.

- *Loan Detail, Loan Level* - This section of the SAS provides loan-level detail for disbursement transactions processed on COD through the end date of the report. Each transaction lists the total amount disbursed on that loan as of the end date of the report. This information can be used to perform an award-level comparison to your internal systems. This section is only available as year-to-date.
- *Loan Detail, Disbursement Activity Level* - This section of the SAS provides transaction-level detail for all disbursement and adjustment transactions processed on COD during the reported period. This section may have multiple transactions per award ID (as applicable). This section is available as monthly, year-to-date, or both. The monthly version will only show disbursements booked on COD during the reported month, but will include all unbooked disbursements (unbooked transactions are always year-to-date).
Unbooked disbursements include any future dated transactions with disbursement dates falling after the end of the report. The year-to-date version of the report will show all disbursements, booked and unbooked, on COD as of the end date of the report. This information can be used to do a transaction-level comparison to the school's internal records for either that month or year-to-date.

Booking a Loan

Booking a loan requires an accepted origination record, an accepted and linked promissory note, and an accepted actual disbursement. Once those three data elements are received by COD, the loan is booked and sent to a Direct Loan servicer to initiate servicing of the loan. If the loan is missing any one of these three data elements, it is considered unbooked.

Pending Disbursement List

The Pending Disbursement Listing Report shows all pending/anticipated disbursements (with Disbursement Release Indicator (where DRI) = false) from your school for the reported period and award year. The reported period is a 45-day window into the future from the date of the report, or anything in the past. It will be generated if there is at least one anticipated/pending disbursement that is within the window of 6 days in the past or 45 days into the future. This limits the frequency of the report showing same data repeatedly once the disbursement dates are in the past. There is also one final report run for all schools before the closeout deadline for the Direct Loan Program. This report can identify pending disbursements that should be reflected as actual disbursements (where DRI = true). It can also be used to identify disbursements that need to be inactivated (reduced to \$0). By using this report on a regular basis to make sure all disbursements are reported or inactivated, your school will have fewer discrepancies in your reconciling.

Actual Disbursement List

The Direct Loan Actual Disbursement List report displays actual disbursements from the previous Saturday (7 days before the report generation date) through the following Friday (1 day before the report generation date). Actual disbursements appear on the report based on their post date, which indicates when each actual disbursement or adjustment is posted on the COD System. The report includes booked, unbooked, and future dated actual disbursements and adjustments, provided they are created within the reporting period. Any actual disbursement that is in review status will not appear on the report. This report can be used to compare against your internal disbursement records on a weekly basis.

Coming Soon



In March, 2013, the Department began offering a new tool, the SAS Disbursement Detail on Demand.

The SAS Disbursement Detail on Demand Report allows a school to select a specific data range to receive disbursement level data. This can be YTD up to a specific end date, or a smaller date range, with a school selected begin and end date to confirm disbursement or disbursement adjustments made without having to wait for the monthly School Account Statement (SAS) report.

Common Errors

Here are a few of the most common mistakes schools make in managing their Direct Loan Programs.

- ◆ *Cash transactions in wrong year or split between years* – Direct Loan funds are award year specific, meaning that funds drawn down for a specific award year must be disbursed in that award year and if returned, they must go back to the award year from which they were drawn. Please note that the year designation in the Award Number in G5 is the trailing year of the award year so a G5 Award Number of P268K12 would be for the 2011–2012 award year. It is vital that all of your transactions, refunds, or returns remain all within the same award year.

- ◆ ***Inclusion of funds from a different program*** – This is funds drawn down from one program but disbursed in another. A school may not draw down funds from the Pell Grant program and make Direct Loan disbursements with them or vice versa. Be sure when you access G5 to draw down funds, you select the program award ID corresponding to the year and program from which you wish to draw funds. If all of your Title IV funds are maintained in one bank account, funds for each year must be accounted for in different subsidiary ledgers.
- ◆ ***Timing of cash transactions*** – You should allow 5–7 days for refunds to move from G5 to COD. Keep this in mind when reconciling if you returned funds towards the end of the month and they are not reflected on your SAS. Note in your monthly Reconciliation Documentation that you returned funds on “X” date in G5 but that it is not reflected on the SAS for that month.
- ◆ ***Funds sent as payment that should have been a refund of cash (or reverse)***
- ◆ ***Unsent/unacknowledged disbursement batches*** – This will cause your school data and that on the SAS to be different. You may have made the disbursements, posted them on the students’ accounts and entered them into your system but not sent the records to COD. Until you actually send the records to COD and they are accepted, your data and the SAS won’t match.
- ◆ ***Rejected disbursements*** – Disbursements that are rejected obviously will cause mismatches. Your system may show the disbursement as having been made, but they may have been rejected by COD. You need to resolve all rejects to successfully reconcile within the 30-day reporting requirements.
- ◆ ***Disbursements recorded in business office but not in financial aid system*** – Disbursements credited to the students’ accounts but not entered into your Direct Loan software and then transmitted to COD will cause discrepancies in disbursement information. Until you resolve them, your data will not reconcile internally.
- ◆ ***Unbooked records*** – These are records that are missing one of the three required elements to book a loan (accepted loan origination record, linked MPN, and first accepted disbursement).
- ◆ ***Direct Loan data loss*** – Data loss will prevent you from reconciling, especially if that data has been sent and is resident on COD. You should restore any data loss to your system so that you have a complete Direct Loan database and record of your activity. COD can help you restore your database by sending you a *rebuild file*.

Direct Loan program year closeout

Direct Loan schools must complete a final reconciliation and Program Year Closeout. Program Year Closeout should occur within a month or two of your final disbursements but no later than the program year closeout deadline, which is the last processing day in July of the year following the end of the Award Year. For instance, the program year closeout deadline is July 31, 2014, for Award Year 2012–2013.

Note: Exceptions to the last processing day of the program year may be made on a case-by-case basis if the school's processing period extends beyond the closeout deadline. Schools falling within this category must request extended processing by contacting the COD School Relations Center.

To be considered successfully closed out, a school must:

- ◆ have an Ending Cash Balance of \$0 and Total Net Unbooked Disbursements of \$0 internally, and as reflected on the School Account Statement; and
- ◆ complete the Balance Confirmation form on the COD Web site.

You will be notified of the closeout requirements through Electronic Announcements and COD system-generated closeout correspondence. As part of the closeout process, COD will send ongoing notices via Zero Balance or Remaining Balance emails. In addition, COD will distribute a Notification/Warning Letter via e-mail to schools in May. This letter will go to the Financial Aid Administrator and President at each school that has not confirmed closeout on the COD Web site (including any schools with a zero balance). It will serve as a reminder to finish processing and confirm closeout before the final deadline. After the closeout deadline, schools with remaining balances will be billed.

A school must be aware of its closeout status even if its Direct Loan processing is handled by the school's third-party servicer. The Department encourages each school to communicate regularly with its third-party servicer to ensure closeout is completed. It is the school's responsibility to ensure that it finishes processing and confirms closeout on time.

As a reminder, reconciliation is performed on a monthly basis, and the final closeout stage should begin no later than the last award end date at the school for a given program and year. In other words, a school should be able to close out soon after its final disbursements and should not wait until the closeout deadline. As a reminder, certain Title IV requirements supersede program year closeout deadlines. These requirements include but are not limited to managing all Title IV funds within current cash management regulations and the reporting of all loan origination records, promissory notes, and disbursement records within 30 days of the actual disbursement. Schools must not wait until the closeout deadline to resolve outstanding reporting issues and cash balances.

RECONCILIATION, RECORDS, AND INTERNAL CONTROLS IN THE CAMPUS-BASED PROGRAMS

Monthly reconciliation required

A school is required to reconcile its Campus-Based records no less frequently than once a month.

Schools may be required to provide records of their monthly reconciliations during the required annual audit or during a program review.

Perkins 34 CFR 674.19(d)(1)
FWS 34 CFR 675.19(b)(2)(iv)
FSEOG 34 CFR 676.19(b)(2)



A school is required to reconcile its Campus-Based program and financial records at least monthly. In addition, you perform annual reconciliation of your school's annual participation in the Campus-Based programs when you complete the *The Fiscal Operations Report* (FISOP). The FISOP is parts III, IV, V, and VI of the *The Fiscal Operations Report and Application to Participate* (FISAP).

Note: If you participated in any Campus-Based programs in an award year, you must report on your activities for those programs by completing the appropriate portions of the FISAP by the following October.

Your school must reconcile, at least monthly, your Campus-Based draws recorded in G5 to the funds received in the bank account your school has designated to receive electronic transfers and account for any discrepancies.

FISAP

Campus-Based programs 34 CFR 673.3
Perkins Loan Program 34 CFR 674.19(d)(2)
FWS 34 CFR 675.19(b)(3)
FSEOG 34 CFR 676.19(b)(3)

In addition, your school must have a system that, on at least a monthly basis, reconciles your drawdowns for the award year in the individual Campus-Based programs plus any funds provided by your school or received from other sources to the amounts expended in the three programs.

Reconciliation and the Federal Perkins Loan Program

Your school must have a system that, on at least a monthly basis, reconciles and accounts for any discrepancies among:



- ◆ the cash on hand in your Perkins fund at the start of the period,
- ◆ any federal funds received and deposited in your Perkins fund during the period,
- ◆ any school funds deposited in the Perkins fund during the period,
- ◆ any payments of principal, interest, late charges, and collection charges received during the period,
- ◆ any other additions to the Perkins fund during the period, to loans made to students during the period,
- ◆ expenses paid from the fund during the period (including ACA),
- ◆ cash on hand in the fund at the end of the period.

Reconciliation and the Federal Supplemental Educational Opportunity Grant Program



Your school must have a system that, on at least a monthly basis, reconciles the federal funds drawn down during the period for FSEOG awards, plus funds transferred (or carried) in from the other Campus-Based programs during the period, plus any nonfederal funds (both institutional and noninstitutional) made available for grants to students during the period, plus any other resources designated as FSEOG awards to students during the period **to** FSEOG awards made to students during the period, plus ACA, and accounts for any discrepancies.

Reconciliation and the Federal Work-Study Program



You should reconcile monthly the amount drawn down and received to the amounts disbursed to students or returned to the Department, and explain all discrepancies.

Your school must have a system that, on at least a monthly basis, reconciles the federal funds drawn down during the period for FWS awards, plus funds transferred (or carried) in from the other Campus-Based programs during the period, plus any nonfederal (both institutional and noninstitutional) funds made available for FWS payments to students during the period **to** FWS funds paid to students during the period, plus ACA, plus Job Location and Development expenditures, and accounts for any discrepancies.

In addition, you should examine your FWS Program and fiscal records at the start of the award year and monthly thereafter.

Do you have a method for verifying that a student's rate of pay in your payroll system matches the rate of pay on which the award was calculated, and if the rate assigned to the position and the experience level of the student matches the levels required by the school's policies and procedures?

Do you have a system that records the maximum a student may earn in FWS wages and alerts you if a student approaches that amount?

Do you periodically evaluate your rate of expenditures to determine if you are spending funds at the same rate, if you are spending less, or if you are spending more than the amount you budgeted for FWS expenditures?

Are your matching funds consistently deposited at the same time you received your federal share?

In the FWS Program, your requests for funds should always be for a payroll for which data has been entered. The only time your need for funds should be greater or less than your draw is when anticipated payments from an off-campus employer are early or late. Excepting those occasions, do you often find yourself requesting additional funds or returning unused funds?

Do you have a process in place to ensure that students are actually working the hours reported—that timesheets are accurate?

Do you frequently audit payrolls to test whether hours recorded in the payroll system match the hours reported on student timesheets?

Do you reconcile the expenditure of funds in the community service part or your work-study program to the reports submitted by employers?

Reconciliation and the Pell Grant Program

Though there is no regulatory requirement for reconciling your school's Pell Grant Program operations on a monthly basis, it is almost impossible to satisfy other program requirements without performing monthly reconciliation of your school's Pell Grant Program participation.

For example, an institution must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records no later than the deadline dates as published in the Federal Register notice (see sidebar) after making a Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement. A school's failure to submit disbursement records within the required time frame may result in an audit or program review finding.

To be proactive, on a monthly basis, your school should compare –

- ◆ the records of Pell Grant awards and scheduled disbursement to students made in the financial aid office to awards on individual student accounts in the business office;
- ◆ the record of disbursements in the school's Pell Grant Program ledger to the record of Pell Grants disbursed to students in the business office;
- ◆ the individual and program records of all adjustments (positive and negative) made during the period; and
- ◆ on an individual and program basis, the record of Pell Grants disbursed to students in COD to the records of Pell Grant disbursements in the business office.

NEW

Time frame for Submitting Disbursements

For disbursements (or adjustments to previously made disbursements) made prior to April 1, 2013, a school must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records, as applicable, no later than 30 days after making the disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement.

For disbursements (or adjustments to previously made disbursements) made on or after April 1, 2013, a school must submit Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement records, as applicable, no later than 15 days after making the disbursement or becoming aware of the need to adjust a student's previously reported Federal Pell Grant or Iraq and Afghanistan Service Grant disbursement.



An institution's failure to submit disbursement records within the required timeframe may result in the Secretary rejecting all or part of the reported disbursement. In addition, such failure may result in an audit or program review finding.

Final Reconciliation

If a school is meeting all disbursement/adjustment reporting, excess cash, and reconciliation requirements, a final reconciliation should begin no later than the last award or payment period end date at the school for a given program and year. A school should be able to reconcile to a zero ending cash balance soon after its final disbursements and should not carry an ending cash balance (positive or negative) for an extended period.