CHAPTER *6*

Reconciliation in the Direct Loan Program

OVERVIEW OF DIRECT LOAN RECONCILIATION

A school that participates in the Direct Loan Program is required to reconcile cash (the funds it has received (from the G5 system) to pay its students) with disbursements (the actual disbursement records) it has submitted to the Common Origination and Disbursement (COD) system. Schools are required to reconcile monthly.

All Direct Loan schools are also required to complete a year-end closeout which is a final reconciliation of their Direct Loan accounts. This should be done as soon as possible after the end of the school's latest award period (loan period) end date, but no later than the program year closeout date. As a reminder, all cash management, disbursement reporting, and monthly reconciliation regulatory requirements supersede the closeout deadline so a school should be able to reconcile to a zero Ending Cash Balance and close out soon after its final disbursements and should not wait until the closeout deadline. The Direct Loan Program year closeout date occurs on the last processing day of July in the year following the award year. For example, the program year closeout date for 2015–16 will be July 31, 2017.

The starting point for reconciliation is the Ending Cash Balance (ECB) on the School Account Statement (SAS) that COD sends to the school each month. The SAS is the Department's official record of your school's cash and disbursement transactions. The ECB is simply the difference between the net drawdowns/payments your school has received from the G5 payment system, and the actual disbursement information you've reported to COD (and COD has accepted) for individual students and parents (known as Total Net Booked Disbursements).

Ideally, the net drawdown/payments your school has received in the past month will be fully substantiated by the total net disbursements your school has reported (including any subsequent adjustments). Therefore, your school's monthly ECB should be as close to zero as possible keeping timing variances in mind.

Direct Loan monthly reconciliation required
34 CFR 685.300(b)(5)

> **Ending Cash Balance = A school's Net Drawdowns/Payments in (G5) minus the Total Net Booked Disbursements in COD**

Booked vs. Unbooked Disbursements

For a disbursement to be considered booked, it must consist of the following three components.

1. It must be a part of an accepted loan origination record (as submitted to COD by the school);
2. It must have an accepted Master Promissory Note associated with it (linked MPN); and
3. It must be reflected as an actual disbursement in COD (the Disbursement Release Indicator = "True" and the date of disbursement must have occurred).

Once these three things occur, the loan is booked and sent to the loan servicer assigned to the borrower, and the student is liable in accordance with the terms and conditions stated in the Master Promissory Note.
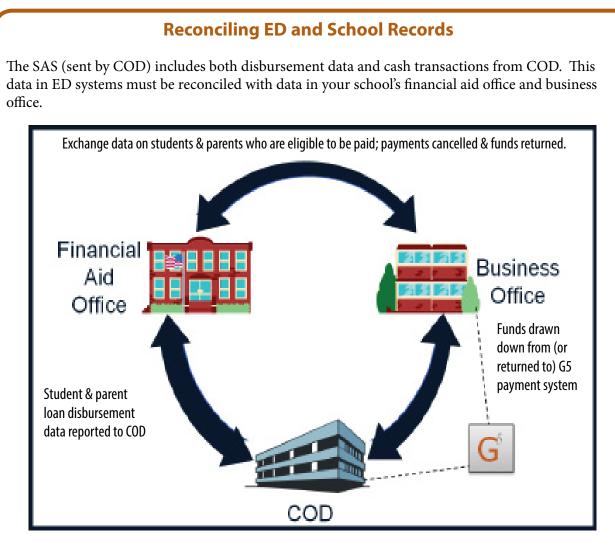
Unbooked disbursements include any future dated transactions with disbursement dates falling after the end of the report.

When the ECB for a month is greater or less than zero, you must be able to account for any differences between the net totals for Booked Disbursements and Drawdowns/Payments. The SAS provides you with the information that the Department has recorded for your actual disbursements to students and cash transactions (payments/drawdowns). You can use this information as a starting point in identifying the underlying reasons for the ECB.

Sometimes the difference between Total Net Booked Disbursements and Net Drawdowns/Payments is just a matter of end-of-month timing—funds were delivered to the school's account at the end of one month and the disbursements were reported to COD at the beginning of the next month (or vice versa). If there are legitimate reasons for a positive or negative ECB from month to month, you may not need to correct or update any of the information your school has provided to the COD or G5 systems. Just document the reasons for the differences and you are done reconciling for that month.

During your review, you may also find omissions or errors in your school's transactions with COD and G5. For instance, you may find that some disbursement data for your students was submitted to, but not accepted by, COD or that G5 transactions were entered for the wrong award year. In these cases, you will need to resubmit corrected disbursement records to COD or correct earlier transactions on the G5 system. Ensuring that your school records match exactly to the data in COD is an example of external reconciliation.

It is also possible that the discrepancy results from inconsistencies between the information in the school's financial aid system and the information kept by its business office—these will need to be resolved by comparing and correcting your school's records. This is an example of internal reconciliation. In order to have a common set of figures to reconcile against COD schools should complete an internal reconciliation before beginning the required external monthly reconciliation.

Reconciling ED and School Records

The SAS (sent by COD) includes both disbursement data and cash transactions from COD. This data in ED systems must be reconciled with data in your school's financial aid office and business office.

Sources of Discrepancies

- Timing issues—funds are drawn down and disbursed in a different month from the month student/parent records are sent to COD.

- Drawdowns or returns attributed to the wrong award year.

- Disbursement batches not yet sent to COD (or sent to COD but not acknowledged).

- Rejected disbursements that have not been resolved.

- Disbursements reported to COD but unbooked because of future disbursement date.

- Cash drawn in or cash returned to the incorrect award year.

- Downward disbursement adjustments made and accepted in COD but funds are not returned or used for other eligible borrowers within regulatory timeframes or vice versa.

- Disbursements reported to COD by the aid office but not reported by the Aid Office to the business office for payment.

- Disbursements made by the business office but not supported by disbursement records in the financial aid office system and COD (*would show up in internal reconciliation*).

INTERNAL RECONCILIATION FOR DIRECT LOANS

Internal reconciliation is the process where the business and financial aid offices compare their Direct Loan records to ensure that they match, both in disbursement date and disbursement amount. The frequency and methods used for internal reconciliation are based on school decision and need but should occur at least monthly and before the required monthly reconciliation to the Direct Loan SAS.

The business office should review its Direct Loan account bank statement to ensure that funds drawn and returned are in the appropriate year. In addition the business office will need to regularly monitor the account to comply with cash management regulations, i.e., making sure that funds are drawn for immediate need and any funds that cannot be used within cash management guidelines are returned promptly.

To be in compliance with reporting disbursement and disbursement adjustments within 15 days, the business and financial aid offices will need to communicate frequently, making sure that their systems are in sync. It is very important that the date funds are credited to a student's account in the institution's general ledger or any subledger of the general ledger, or paid to a student directly is the disbursement date the financial aid office reports to COD. This date is reported to the Direct Loan servicers and is the time when interest begins to accrue on the loan funds.

Possible Sources of Discrepancies Between Financial Aid and Business Office Records

- financial aid office calculates Return of Aid (R2T4) but doesn't notify business office.
- financial aid office schedules disbursement with business office but does not create "actual disbursement" record to send to COD. (Or, "actual disbursement" record sent by the financial aid office is rejected by COD.)
- business office cancels disbursement but does not inform financial aid office.
- business office makes refund of cash to G5 system but does not inform financial aid office.
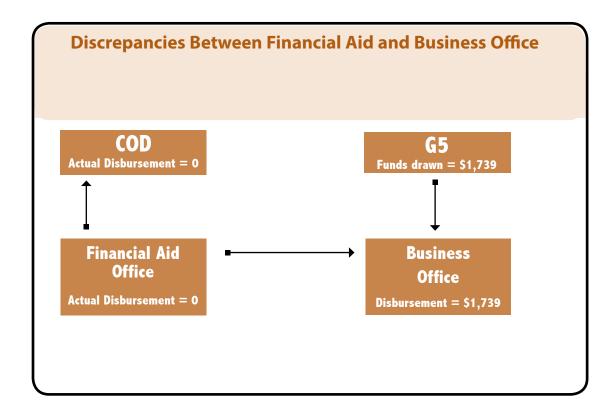

Excess cash
34 CFR 668.166

Requesting Funds
34 CFR 668.162

Discrepancies Between Financial Aid and Business Office

COD	G5
Actual Disbursement = 0	Funds drawn = $1,739

Financial Aid Office	Business Office
Actual Disbursement = 0	Disbursement = $1,739

Discrepancies that occur between the financial aid and business offices are usually caused by a lapse in communication. Note that these discrepancies often do not show up in a comparison of the financial aid office's records to COD, or in the comparison of drawdowns/returns between the business office and G5 payment system. For instance

- The financial aid office notifies the business office that the student is eligible for payment on a certain date, but the disbursement record is rejected by COD. If the financial aid office doesn't tell the business office to cancel the disbursement, the business office draws down funds and makes a disbursement to the student that is not supported in COD or in the financial aid office's records.

- The business office cancels a disbursement and/or makes a refund of cash to the G5 system without informing the aid office. Thus, the original amount will still be included in the net Booked Disbursements on the SAS but will not be reflected in the net Cash Receipts.

Discrepancies can be avoided by setting daily or weekly communication touchpoints between the two offices or by scheduling a data comparison between the two office systems. Resolving differences in internal reconciliation will lead to a smoother external reconciliation with the Department's official data as reflected in the SAS.

Reporting Disbursements Within 15 Days

An institution must submit Pell Grant, Iraq and Afghanistan Service Grant, Direct Loan, and TEACH 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 disbursement. In accordance with 34 CFR 668.164(a), Title IV funds are disbursed on the date that the institution: (a) Credits those funds to a student's account in the institution's general ledger or any subledger of the general ledger, or (b) pays those funds to a student directly. Title IV funds are disbursed even if an institution uses its own funds in advance of receiving program funds from the Secretary. 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. Such failure may also result in an audit or program review finding or the initiation of an adverse action, such as a fine or other penalty for such failure, in accordance with subpart G of the General Provisions regulations in 34 CFR part 668.

Federal Register Volume 79, Number 133, Friday, July 11, 2014, Pages 40084–40092

TIP

Reconciliation and Third-Party Servicers

If your school uses a third-party servicer, your school is ultimately responsible to ensure that all regulatory requirements are being met and that your school is reconciling on a regular basis. You should request and retain documentation of your reconciliation efforts. Also, a part of your reconciliation should include ensuring that your school internal records match what is at the servicer as well as what is in the COD System.

Monthly Reconciliation Process

Steps in Monthly Reconciliation

► Compare financial aid office records with business office disbursements.
Look fo:

- Refunds of cash made by business office to G5 but not recorded in the financial aid office system.

- Disbursements made by business office, but not recorded in the financial aid office system or not sent to COD and accepted.

- Instances when the financial aid office calculated a Return of Aid and reported a downward adjustment to COD, but the information was not recorded in the business office system and the funds were not returned to G5.

► Reconcile with SAS data from ED
Upon receiving the monthly SAS, first compare the cash summary information to your internal records. If the sub-totals and ECB match or any discrepancies can be explained and documented, you are done. If not, then proceed to the next step of comparing SAS cash detail with student account records in the business office (or elsewhere). Look for

- End-of-month submissions that were processed by COD in the next month.

- Cash transactions attributed to wrong award year.

- Funds drawn down from one award year but "recycled" to make disbursements for loans in a different award year.

► Compare SAS Loan/Disbursement Detail with financial aid office records.
(The "Loan Compare" function in DL Tools can be used to import school data and compare it to the SAS Loan Disbursement Detail.) Look for

- Disbursement batches not yet sent to COD (or sent to COD but not acknowledged).

- Rejected disbursements that have not been resolved.

- Disbursements reported to COD but unbooked because of future disbursement date.

- Remember, you must document reasons for any discrepancies in your ECB.

EXTERNAL RECONCILIATION

After completing internal reconciliation between the business and financial aid office records, a school can begin its required monthly reconciliation process, comparing school data to the SAS.
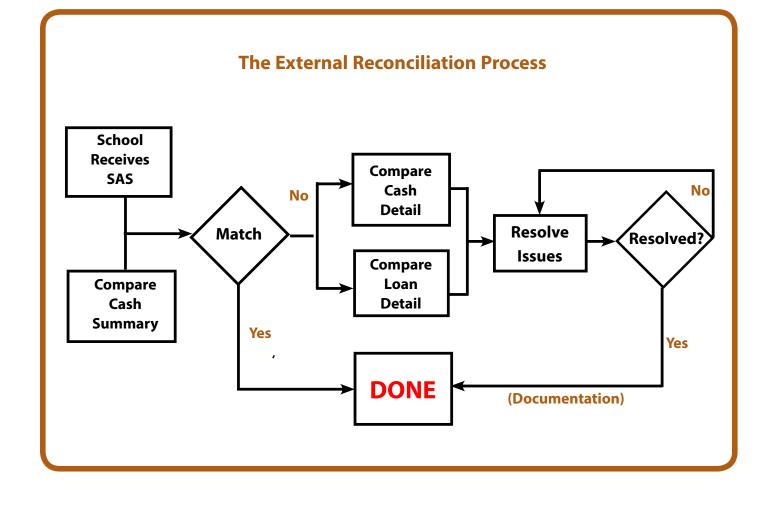
Documenting monthly reconciliation

A school has completed its monthly reconciliation when all differences between the SAS and the school's internal records (Direct Loan System, financial aid office, and business office system) have been resolved or documented. Schools should clearly outline their method of documentation in both business office and financial aid office procedures.

The Department does not mandate or prescribe any particular method of documentation, which allows your school to determine the type and method that best suits your internal processes. Your school must maintain documented results of its monthly reconciliation to provide to auditors and reviewers at their request but does not need to send any proof of this reconciliation to the Department.

Each month you should

- Identify any discrepancies due to timing and track them to make sure that the missing transactions appear in the next month's SAS.

- Identify any discrepancies due to misreporting or internal mis-communication and take necessary corrective actions to ensure they will not recur in the following month.

- Document all reconciliation efforts for future reference. In addition to resolving cash balance issues in a timely manner, careful monthly reconciliation will help you to complete year-end close-out much more efficiently.

> **Key Components of Monthly Reconciliation**
>
> - All discrepancies have been identified, resolved, and documented.
> - Timing issues are tracked for reconciliation in next month's SAS.
> - Historical records of issues are kept for later review or to update new or returning staff members.

The External Reconciliation Process

TIP

For more information on COD Reports, refer to the latest *COD Technical Reference*, Volume VI, Section 8, available at **www.fsadownload.ed.gov.**

For more information on COD web screens, refer to the COD website help text or download the free COD Computer Based Training from **ifap.ed.gov** under "Tools for Schools."

NEW

In January of 2014, the Department announced the posting of three report readers. The readers provide a simplified way of importing the COD report files into an Excel spreadsheet for school reconciliation purposes.

A school that does not already have a process in place for using these reports to regularly reconcile its Pell Grant and Direct Loan data should consider downloading the readers for this purpose.

Note that to use the readers, a school must receive the **fixed-length format** of the reports.

There are report readers for the following reports:
- Pell Grant Reconciliation File
- Pell Grant YTD File
- SAS Disbursement Detail on Demand File

The readers, along with instructions on how to use them, are posted on the Common Origination and Disbursement (COD) website at **cod.ed.gov/cod/LoginPage** under the COD Resources link.

If you have questions about the readers or need additional assistance with using them, contact the COD School Relations Center at 800/848-0978 for Direct Loans or 800/474-7268 for Pell Grants. You may also email CODSupport@ed.gov.

TOOLS AND REPORTS FOR DIRECT LOAN RECONCILIATION

The Department provides several applications to assist your school in completing its Direct Loan reconciliation responsibilities. Among them are COD Reports and Direct Loan Tools.

COD Reports and websites

COD provides a variety of reports and web screens (available at **cod.ed.gov**) to help you in your Direct Loan reconciliation. Detailed information including message classes, record layouts, and delivery methods for all Direct Loan reports can be found in the COD Technical Reference, Volume VI, Section 8.

COD Reports

Highlighted here are a few reports and COD web screens useful to reconciliation:

- *School Account Statement* (SAS)—The Department issues an award-year specific School Account Statement (SAS), similar to a bank statement, on a monthly basis to schools participating in the Direct Loan Program. The SAS contains the Department's official Ending Cash Balance for the 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 can use the summary and detail-level information contained in the SAS to reconcile to its internal records. More information on the SAS can be found in the COD Technical Reference.

  - SAS Disbursement Detail on Demand—ad-hoc report that allows schools to get SAS Disbursement Detail data independent of the school's monthly SAS file. This report can be requested via the New Report Request page on the COD web site.

  - SAS Disbursement Detail on Demand Report Reader and Instructions—formats the fixed length SAS Disbursement Detail on Demand Report into an Excel spreadsheet. Found under the COD Resources link at the bottom of any COD Web site page.

- *Direct Loan Booking Warning Report*—This report can help your school identify awards that are missing a piece needed for booking a loan. It is composed of two sections. The first lists origination records missing either a promissory note or an actual disbursement. The second section lists promissory notes missing origination and disbursement records.

♦ *Pending Disbursement Listing*—This report provides a list of all pending disbursements reported by your school and can help you to identify future funding needs, identify pending disbursements that should be reported as actual, and identify awards or disbursements that need to be made deactivated (reduced to zero).

♦ *Inactive Loans Report*—This report provides a list of all loans made inactive (reduced to zero) during the reported period and can help you confirm that the correct loans have been inactivated.

♦ *Direct Loan Actual Disbursement List*—This weekly report displays actual disbursements from the previous Saturday (seven days before the report generation date) through the following Friday (one day before the report generation date). Actual disbursements appear on the report based on their post date, indicating 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.

COD Websites

♦ *School Summary Information*—Provides an overview of your school's current funding level (CFL) as well as cash greater than accepted and posted disbursements over 30 days. It is a great tool to use every time you log into COD to confirm that your school is reporting disbursements in a timely manner to substantiate the funds drawn.

♦ *School Funding Information*—Lists your school's current Available Balance, Net Drawdowns, Net Accepted and Posted Disbursements and Cash > Net Accepted and Posted Disbursement balances as well as last CFL changes. We recommend that schools make reviewing the balances for each program and award year on this page a regular part of their processes.

♦ *School Summary Financial Information*—Provides close to real time balance information for your school, formatted similarly to the year-to-date Cash Summary section of the SAS.

♦ *Cash Activity Webpage*—Provides up-to-date drawdown and refund of cash detail activity for your school as well as days remaining for on-time reporting. This information is sent to the COD System from G5, and can be used to reconcile to internal bank statements and cash transactions.

Using DL Tools for Reconciliation

Many schools have found that DL Tools software helps them in the reconciliation process, even if they are not using EDExpress.

DL Tools can be used to import and format information from the SAS. DL Tools can produce formatted reports for
• Cash Summary
• SAS Cash Detail
• SAS Loan and Disbursement Detail

In addition, DL Tools can be used to compare the information from the SAS to the school's data. We'll talk more about these features under Cash Detail and Loan Disbursement Detail.

DL Tools runs on Windows-based PCs and can be downloaded free at **www.fsadownload.ed.gov**.

NOTE: Comparison reports are designed to be run using the SAS Reports with YTD detail, not monthly detail. You can change your report options (YTD detail, for example) by accessing the COD website at **www.cod.ed.gov/** (see section in this document titled, "School Account Statement Options"). (Note that fixed-length formatting is required in "Compare." We find that schools that have changed their preference to, for instance, "comma delimited," don't realize that formats other than fixed length won't work for Compare Reports.

For more information on the DL Tools Software, refer to the COD Technical Reference, Volume IV.

There is also training available on DL Tools on IFAP/Tools for Schools/ EDExpress Online Training and in the COD Computer-Based Training (CBT) modules under "Tools for Schools/COD CBT."

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Using DL Tools to Evaluate Your Average Processing Time

If your school uses EDExpress, you can use the Disbursement Measurement Tool (in DL Tools) to calculate:
- average time from actual disbursement date to sending the actual disbursements in a batch to COD.
- average time from actual disbursement date to booking the loan.

These average times can be compared to the recommended tolerances you have established as your quality control standard.

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◆ *Action Queue Search*—This COD Webpage allows you to search for current pending disbursement activity for your school. You can use the action queue as an ad hoc pending disbursement list by setting your own begin and end date parameters into the future. You can also use the action queue as a reconciliation tool by setting the begin search date to the beginning of the award year with the end date at the current date to view any pending disbursements that either should have been disbursed or reduced to zero. Note that this search can also be used for, (1) anticipating funding needs and, (2) identifying disbursements/loan periods that should be updated per GEN-13-13/150% requirements.

Direct Loan Tools

The Direct Loan Tools software application is designed to work with your own mainframe or middle-range application, or hand-in-hand with EDExpress, to ensure that your Direct Loan records reconcile with the COD system. With a few simple keystrokes you can compare the SAS file you receive monthly from the COD System with your own database to identify discrepancies that need to be addressed.

Direct Loan (DL) Tools for Windows is a supplemental software product for Direct Loan participants. You can download software and related user documentation from the U.S. Department of Education's Federal Student Aid Download (FSAdownload) website located at **www.fsadownload.ed.gov.**

You can use DL Tools during your reconciliation process to

◆ print the SAS in a readable format;

◆ track Cash Receipts (drawdowns) and Refunds of Cash; and

◆ compare the SAS to loans and actual disbursements recorded in either EDExpress or an external file (your school's system), and/or compare the SAS to the DL Tools Cash database (records of receipts and Refunds of Cash).

Reports available to schools using DL Tools include

◆ SAS Cash Summary

◆ SAS Cash Detail

◆ SAS Loan and Disbursement Detail

◆ Internal Ending Cash Balance Report

◆ Cash Detail Comparison

◆ Loan Detail Comparison

◆ Disbursement Detail Comparison

◆ Disbursement Measurement Tool

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DL Tools for Cash Management

You can use the "Cash Management" feature in DL Tools to keep a record of Cash Receipts (drawdowns) and Refunds of Cash for Direct Loans.

However, if you use this feature, you must take care to ensure that EVERY transaction is recorded in the Cash Management Tool. Thus, if your business office tracks transactions in other software, you may want to rely on that software to record cash transactions, rather than making duplicate entries.

If you are using the Cash Management feature of DL Tools, you can also run the following reports for all program years:
- Internal Ending Cash Balance Report
- Cash Detail Comparison.

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THE SCHOOL ACCOUNT STATEMENT

Each month, the COD system sends a SAS to your SAIG Mailbox that should be used for your external reconciliation. This report is generated by COD during the first weekend of the month with data through the end of the previous month (for example, the first weekend in September, COD generates a report for August and sends it to your school). The SAS reflects all cash transactions performed in G5 as reported to COD and all loan and disbursement detail reported by your school and accepted in COD.

The SAS is a monthly statement, similar to a bank statement, that summarizes a school's processing activity for each month. Your school can now request a School Account Statement (SAS) Disbursement Detail on Demand report on an as needed basis for more frequent reconciliation.

The SAS should be your school's primary tool for reconciliation and program year closeout, and should be compared to both financial aid and business office records. The SAS provides the Department's official ending cash balance as of the end date of the report, based on data submitted by the school. As such, all schools are required to receive the SAS on a monthly basis until they have officially closed out a program year.

Your school is required to reconcile the information on the SAS to its internal records on a monthly basis.

Note that your school will receive a separate SAS for each award year that it participates in Direct Loans until that award year is closed out as directed by ED. Since a school often has multiple award years open at the same time, it may receive more than one SAS for a given month.

To successfully "close out" your Direct Loan account at the end of an award year, you must have an ECB of zero and Total Net Unbooked Disbursements of zero, as reflected on your school's SAS.

The SAS is broken down into the following four sections:

- ◆ Cash Summary
- ◆ Disbursement Summary (by loan type)
- ◆ Cash Detail Report
- ◆ Loan or Disbursement Detail Report.

TIP **Using the SAS**

Three sections of the School Account Statement (SAS) are particularly useful for purposes of reconciliation:

- • Cash Summary →
       compare to summary school
       data in both business office and
       financial aid system.
- • Cash Detail→
       compare to business office
       records
- • Loan Disbursement Detail→
       compare to financial aid system

Setting Options for the Format and Content of the SAS

Schools can set their SAS format and content options on the COD website by selecting—School/Report Selection/Modify SAS Options.

SAS format choices are Fixed Length (the default), Comma-Delimited **Without** Headers, Comma-Delimited **With** Headers, or Pipe-Delimited. If you plan to use DL Tools to format your report and/or run a comparison to school records, you must select Fixed Length format. If you plan to open your SAS in Excel, you should select Comma-delimited **Without** Headers for data only report, or Comma-delimited WITH headers for a more formatted report. Note that the YTD report is what's needed to run the Compare.

SAS content options include:

- • Names of borrowers
- • Monthly or YTD or both for cash and loan detail (if you choose both, you will receive two separate reports but both have the same message class)
- • Disbursement summary by loan type
- • Disbursement detail or loan level detail (YTD) or both.

You will always receive both YTD and monthly data on your Cash Summary regardless of which options you choose. For more information on available SAS Options, including message classes, see the *COD Technical Reference, Volume VI, Chapter 8* at **www.fsadownload.ed.gov.**

Cash Summary

This section of the SAS provides the Department's official ECB for the school for the reported period. The ECB is the difference between Net Drawdown of Cash and Net Booked Disbursements. The Cash Summary contains both a monthly and a year-to-date summary of cash and loan data processed at COD for that program year. This section can be compared to summary information on the school's internal systems. The comparison may then identify areas where further research is needed.

Ultimately, if a school's Net Drawdowns/Payments are equal to its total Net Booked Disbursements, its ECB will equal zero.

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 volume at the summary level.

Cash Detail

The Cash Detail section of the SAS provides detail on cash transactions processed in 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 in COD during that month. If the YTD 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. If you choose the monthly option, 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.

Loan Detail/Loan Disbursement Activity Level

The *Loan Detail/Loan Disbursement Activity Level* section of the SAS contains loan detail transactions at either the loan level or the individual disbursement transaction level, depending on school options. If loan detail is requested at the loan level, the SAS will contain one record per loan, with YTD disbursement information. If loan detail is requested at the disbursement activity level, the SAS will contain all actual disbursement and disbursement adjustment activity that occurred during the preceding month or year-to-date (depending on the options selected by the school) as reported by the school and accepted by COD.

This portion of the report is helpful because it allows schools to match individual (student by student) COD accepted disbursements and adjustments against the individual disbursements and adjustments reflected in the school's financial aid system. By identifying discrepancies between disbursements in COD and your financial aid system, you will be able to resolve the differences.

In the following sections, we'll explain how to compare the summary and detail reports to your school data to identify any underlying discrepancies that may be affecting the ECB.

WORKING WITH THE SAS

Once your school receives the SAS, the first step in monthly reconciliation is to compare the Cash Summary data to the corresponding totals in your school's financial aid and business office systems. Ideally, your ECB will be zero, suggesting that there are no discrepancies to be explained. However, there could be rare instances where positive and negative discrepancies are canceling each other out, so you need to look at the rest of the Cash Summary to make sure that it matches your school's data.

In addition to the ECB, the Cash Summary shows

- *Net Drawdowns/Payments*, which reflects *Cash Receipts* (funds drawn through G5) minus *Refunds of Cash* (funds returned through G5 or to COD by check), and

- *Total Net Booked Disbursements*, which reflects *Booked Disbursements* plus or minus *Booked Adjustments*.

Many differences between your drawdowns from G5 and the disbursements reported to COD can be explained by timing issues. For instance, if your school draws down $25,000 to pay students at the end of September but does not send in actual disbursement records for those students until the beginning of October (within the 15-day reporting requirement), the SAS for the month of September will include $25,000 in cash receipts from the G5 system that are not matched by booked disbursements in COD.

TIP Keep in mind that loan disbursement records sent to COD near the end of the month may not be processed and acknowledged until the beginning of the next month.

If you can identify such discrepancies and account for any remaining cash balance (positive or negative) at the Cash Summary level, then you've successfully completed reconciliation for the month. Remember that a school must document its reconciliation process and the results of each monthly reconciliation.

However, in many cases, you may need to compare the SAS and school data at a more detailed level, using two other sections of the SAS

- the SAS Cash Detail for cash receipts and refunds of cash; and

- the SAS Loan or Disbursement Detail for actual disbursement and adjustment data accepted in COD.

Reconciling Department and School Records

The SAS (sent by COD) includes both disbursement data and cash transactions at COD (but received from G5). This data in ED systems must be reconciled with data in your school's financial aid office and business office.

COD	SAS	G5
Net Booked Disbursements		**Net Cash Receipts**

Funds drawn down from (or returned to) G5 payment system

Financial Aid Office ⟷ **Business Office**

Exchange data on students and parents who are eligible to be paid; payments cancelled and funds returned.

Discrepancies can occur for a variety of reasons, such as
- Timing issues—funds are drawn down and disbursed in a different month from the month student/parent records are sent to COD.
- Misreporting of drawdowns or returns of aid—for instance, drawdowns or returns attributed to the wrong award year.
- Actual disbursements or adjustments that have not been processed in COD—including records batched but not sent by the financial aid office, and unresolved rejects.
- Actual disbursements reported to COD by the aid office but not to the business office for payment.
- Payments made or not made by the business office that are not reported to the financial aid office.

Example of SAS Cash Summary

The information in the Cash Summary is fairly general—you will usually need to examine the detail information in the SAS and in your school's records to be able to identify the source of any discrepancies shown in the Summary. The example shown below is a monthly Cash Summary.

End Date: 09/30/2012
School Code: G09009

1	Beginning Balance		$0
	Cash Receipts	$33,074	
	Refunds of Cash	−$1,350	
2	Net Drawdowns/Payments		$31,724
	Booked Disbursements	$25,721	
	Booked Adjustments	−$1,250	
3	Total Net Booked Disbursements		$24,471
ECB	Ending Cash Balance		$7,253
4	Unbooked Disbursements Actual:	$1,264	
	Unbooked Adjustments:	−$0	
	Total Net Unbooked Disbursements		$1,264
5	Cash > Accepted and Posted Disbursements:		$5,989

Analysis of Sample SAS Cash Summary

1 The Beginning Cash Balance is zero at the start of the award year. Otherwise it is equal to the previous month's ending cash balance.

2 The SAS shows that the school drew down $33,074 from the G5 payment system and returned $1,350 in cash during September. If these amounts differ from the school's summary data, the **SAS Cash Detail** should be compared to the business office's records of cash transactions.

3 The SAS shows $25,721 in Booked Disbursements reported to COD and a net of $1,250 in adjustments that reduces the total disbursements.

ECB Because the school drew down more money from G5 in September than the amount of loan disbursements it reported to COD, the Ending Cash Balance has grown to $7,253.

4 In this sample, one or more Unbooked Disbursements—possibly the result of future-dated disbursement records—are contributing to the positive Ending Cash Balance. If the $1,264 in disbursements is booked in October, they will reduce the Ending Cash Balance. Comparing the Loan Disbursement Detail on the SAS with the financial aid office's records may show unbooked disbursements that were not reported to COD (and thus don't appear on the SAS).

5 The remainder (Cash > Accepted and Posted Disbursements) is the difference between Net Drawdowns/Payments and all actual disbursements accepted at COD, both booked and unbooked. It may be explained by timing issues between school actions and the date transactions are recorded in COD, differences between financial aid office and business office records, or rejected disbursement records at COD that have yet to be resolved.

Example of SAS Cash Detail

The Cash Detail shows each exchange of funds with the G5 (formerly known as GAPS) system as reported to COD. (Either cash received by the school or a Refund of Cash to G5.) The amounts listed in the Cash Detail often represent amounts for multiple loans that have been reported separately to the COD system.

Trans Type	Trans Date	Trans Amount	COD Process Date	G5 Control/ Check Number
Receipt	09/06/2012	$12,800	09/06/2012	2005091212345 ❶
Receipt	09/12/2012	$12,024	09/12/2012	2005091267890
Refund	09/15/2012	$1350 ❷	09/22/2012	10000001011001
Receipt	09/26/2012	$8,250	09/25/2012	2005091234567

❸
Total Cash Receipt Records	3
Total Refunds of Cash Records	1
Total SAS Cash Detail Records	4

❹
Total Cash Receipt Amount	$33,074
Total Refunds of Cash Amount	$725

Analysis of Sample SAS Cash Detail:

❶ The transactions listed in the Cash Detail include **G5 control numbers** for drawdowns and refunds. It will also show the check number if the school made a refund (return of cash) directly to COD (not recommended).

❷ From the Cash Detail, we see that the $725 total **Refund of Cash** was made in a single transaction. Given the amount, it is possible that it represents the cancellation of a single loan disbursement, but one would have to examine the business office records to confirm this. (If the loan had already been reported to COD when it was cancelled, the Loan Disbursement Detail on the SAS should also show a subsequent adjustment to reduce the loan amount.)

❸ These three lines show the total number of drawdowns (cash receipts) by the school for the month vs. the total number of refunds sent back by the school during the same timeframe.

❹ These two lines show the total amount drawn down for the month (cash receipts) and the total amount returned.

A comparison with the school's business office records may identify missing transactions. For instance, if the school intended to make a Refund of Cash for this award year but attributed it to the wrong award year, the amount of that transaction would not be reflected on the SAS for this award year, and the Total Refunds amount shown on the statement would be too low. (Conversely, the Total Refunds amount on the SAS for the other award year would be too high.)

LOAN DISBURSEMENT DETAIL

In contrast to the bank transactions shown on the Cash Detail, the Loan Disbursement Detail is meant to be compared with the individual loan records in your financial aid office system. This detailed report includes all actual disbursement information and adjustments that have been accepted by COD during that month based on the date the individual transaction books at COD (Disbursement Booked Date).

The default option for the SAS is the Monthly Disbursement Detail. If you plan to use DL Tools to compare the SAS data with your school records, you should request this information in the form of the Year-to-Date Disbursement Detail (note that this will significantly increase the size of the report as the award year progresses). SAS options can be changed on the COD website.

> ### DL Tools and the Loan Compare Report
>
> You can use DL Tools to compare the SAS loan and disbursement detail recorded in your financial aid office's system. For more information on DL Tools and the comparison reports available see the *COD Technical Reference, Volume IV* or view the DL Tools web-based training available on IFAP/Tools for Schools/EDExpress Online Training and in the COD Computer-Based Training (CBT) modules under "Tools for Schools/COD CBT."

Timing issues and the School Account Statement

As noted earlier, timing issues could be a recurring source of discrepancies. Disbursement and adjustment transactions appear on the SAS for the month in which the COD system receives or acknowledges the transaction. An actual disbursement that is transmitted to COD in late September may not be acknowledged by the COD system until October and therefore will appear on the October SAS, which will arrive at the school in early November.

The same kind of discrepancy can occur when the business office draws down and disburses loan funds to the student in late September, but the financial aid office doesn't send the actual disbursement records for those loans until the beginning of October. If such discrepancies are common at your school, you may want to look at ways to make sure that actual disbursement records are sent to COD sooner.

In either case, the disbursement amount may show up on the September SAS as part of a drawdown from G5 but not on the loan detail for September. You will need to check to make sure that the disbursement was accepted by COD, and document the discrepancy. You should also check to make sure that the disbursement is included when you receive the SAS Loan Detail for October.

Example of SAS Loan Detail (Disbursement Detail)

Report Date: 09/01/2013 U.S. DEPARTMENT OF EDUCATION   PAGE: 1
Report Time: 12:01:01 DIRECT LOAN TOOLS—2013–2014

SAS Loan Detail

Sort by: Loan ID

THIS DOCUMENT CONTAINS SENSITIVE INFORMATION PROTECTED BY THE PRIVACY ACT
****

Date Range: 08/01/2013 to 08/31/2013

School Code: G99999   Booked Status: Booked and Unbooked

End Date: 08/31/2013   Loan Type: All

Student's Name

PLUS Borrower's Name Loan ID	Record Type	Gross Amount	Fee Amount	Int. Rebate Amount	Net Amount
Servicer Name					

	Disb #	Seq #	Type	Disb Date	Gross Amt	Net Amt
BLUE, BILL G						
999990002S13G99999001 **❶** Booked		$750	$7	$0	$743	
DEPT OF ED PHEAA						
❷ 1		1	D	08/15/2013	$750	$743
ILLINOIS, ILENE						
999990065U13G99999001 **❸** Booked		$500	$5	$0	$495	
DIRECT LOAN SERVICING CENTER						
1		1	D	08/15/2013	$600	$595
❹ 1		2	A	08/15/2013	$500	$495
OHIO, OLIVIA M						
999990070S13G99999001 Unbooked		$1,250	$12	$0	$1,238	
DIRECT LOAN SERVICING CENTER						
1		1	D	08/15/2013	$1,250	$1,238

See the page that follows for an explanation of this SAS Loan Detail.

Analysis of Sample Loan Disbursement Detail

The SAS Loan Disbursement Detail shows the **_actual_** disbursements that have been accepted by the COD system. This example shows first disbursements of Direct Subsidized loans to Bill Blue and Olivia Ohio, and the first disbursement (with an adjustment) of a Direct Unsubsidized loan to Ilene Illinois.

❶ The first line of the loan listing shows if the loan is booked or unbooked, the gross amount, fee, interest rebate, (interest rebates do not appear for loans first disbursed after July 1, 2012), and the net amount of the loan.

❷ The second line shows the date of the disbursement or adjustment and the gross and net amounts of the disbursement.

❸ The letter S, U, or P in the ninth position of the Loan ID indicates whether it is a Subsidized, Unsubsidized, or PLUS Loan.

❹ For Ilene Illinois' Direct Unsubsidized Loan, we see that the disbursed amount has been adjusted (disbursement 1, sequence 2). Note that the adjusted amount is the amount of the disbursement _after_ the change has been recorded. The adjustment itself is a reduction of $100.00.

Next Steps .....

What's NOT on the SAS Loan Disbursement Detail is as important as the loans that are listed. Note that rejected disbursements will not appear on the SAS.

✔ **Compare the loan disbursements on this Detail to the data in your financial aid office system.**

If you are using DL Tools software, the Loan Detail Compare report will identify loans that appear in your school's database but not on the SAS, and vice versa. In addition, most software packages can generate reports showing the current status of all award records, MPNs, and actual disbursements in your database.

- Look for actual disbursements that are in your school's database but have not been transmitted to COD (or were rejected by COD).

- Look for any actual disbursements that were entered directly on the COD website, but not in the financial aid office software database.

✔ **Check for unbooked loans**

If you not are using DL Tools software, you can identify many unbooked loans by reviewing the 30-Day Warning Report sent by COD.

Look for any loans that are missing a necessary component (loan origination record, MPN, or first disbursement) to book the loan.

✔ **Check the disbursement information in your school's business office records**.

Via internal reconciliation, compare the disbursement records in the business office (credits and payments to students) to the _actual disbursements_ listed in the financial aid office system.

- Look for any disbursements made by the business office that are not substantiated by an actual disbursement record submitted to COD (and accepted) in the same month.

- Look for any actual disbursements reported to COD but not made by the business office within the same month.

BEST PRACTICES FOR RECONCILIATION

Best practices—establishing preventive procedures

> **Back up your data!**
>
> Before you begin reconciliation, be sure to back up all Direct Loan and other data files that may be affected by reconciliation.

Month end reconciliation can be a simple process for schools that maintain good daily processing practices and cash management procedures. During the month, your school's financial aid and business offices should ensure:

- all funds received have been substantiated with actual accepted disbursements in COD by regularly checking your financial aid database for any unsent or rejected batches and disbursements;

- any downward adjustments have been accompanied by either a refund of cash or a disbursement of funds to another eligible student in the same award year (within cash management regulations);

- any excess funds have been returned to the Department as a refund of cash:

- all funds requested are for disbursements to be made within the period of immediate need (three business days) and that funds are disbursed within that period or returned to the Department; and

- all awards and disbursements are reported within the 15-day reporting period allowed by regulation.

Best practices—preparing for monthly reconciliation

You can minimize discrepancies by making sure that all COD transactions have been completed and your internal records are up-to-date prior to the end of each month.

- Export all batches that are ready to be processed by COD at least two business days before the end of the month.

- Import the acknowledgements. Alternatively, you could run a query or report to identify unsent batches and rejects and use that to see what needs to be cleaned up.

- Run reports within your financial aid software to identify and resolve records (MPN, origination, and disbursement) that are not in an accepted (A) status.

- Review the batch activity list for any unconfirmed batches, and import any missing acknowledgments.

Reconcile internally with the business office or bursar's office so that you have the same cash balance to compare to the balance shown on the SAS. For its part, the business office can

- review drawdown and refund activity in your school's federal bank account and reconcile any discrepancies. Make sure that draws and refunds are posted to the correct award year.

- communicate with the financial aid office when it has drawn cash or returned funds within the last three business days of the month. (These transactions may not be recorded on the most recent SAS, creating a timing issue and discrepancy in the Net Drawdown/Payments.)

- return any refunds or excess cash using the electronic process through G5.

Sample Internal Report Comparing Financial Aid and Business Office Data for Loan Disbursements
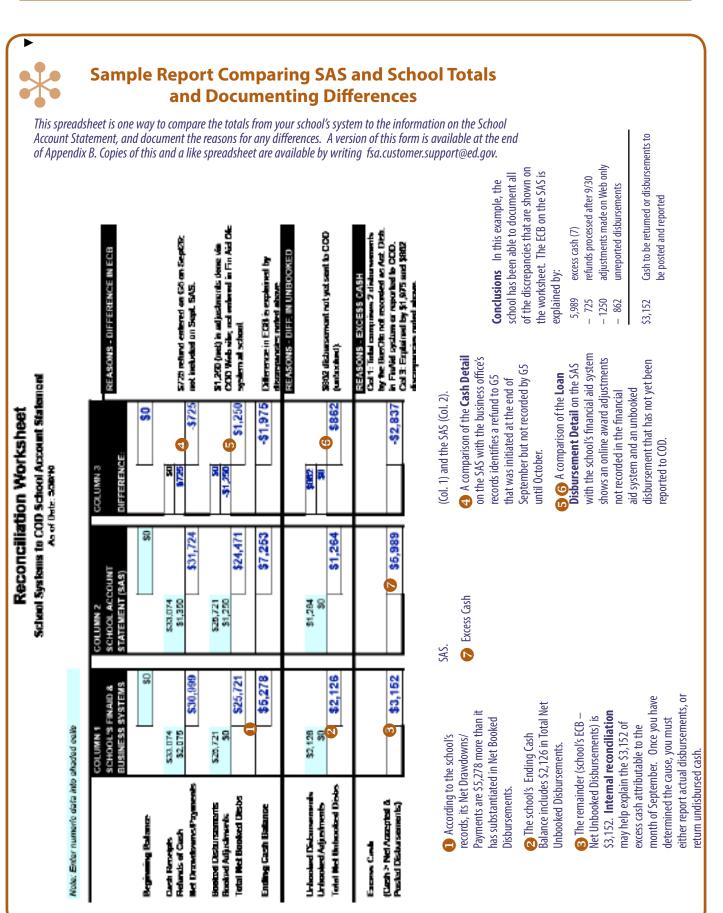
Loan ID	Trans Code	Description	Disb Num	Trans Date	Bus Office Net Disb Amt	FA Office Net Disb Amt	Difference	Recon Flag	Explanation
444556666P13G09009001	DB	PLUS Loan Disb	1	9/05/2012	$2,407.00	$2,407.00	0.00	R	
222334444U13G09009001	DB	Staff UnSub Disb	1	9/12/2012	$1,739.00		$1,739.00	R	Still "anticipated" in FA Ofc Sys ❶
222335555U13G09009001	DB	Staff UnSub Disb	1	9/19/2012	$1,413.00		$1,413.00	R	Still "anticipated" in FA Ofc Sys
222334444S13G09009001	DB	Staff Sub Disb	1	9/21/2012	$950.00		$950.00	R	Change made on COD; Not on FA Ofc Sys

❶ These two disbursements were made by the business office but were not substantiated in COD because the financial aid office has not submitted an Actual Disbursement record to COD. As shown on the previous page, this discrepancy will not show up in a comparison of school data with the SAS's Loan Disbursement Detail or Cash Detail. The discrepancy can only be identified by a comparison of loan-level data between the financial aid office's system and the business office. On the next page, we show how these two transactions would appear as $3,152 in excess cash on the Reconciliation worksheet.

Direct Loan year-end 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. If schools are fulfilling their monthly reconciliation requirements, year-end closeout is really only one more month of reconciliation.

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 on line, or by contacting the COD School Relations Center.

▶

Sample Report Comparing SAS and School Totals and Documenting Differences

This spreadsheet is one way to compare the totals from your school's system to the information on the School Account Statement, and document the reasons for any differences. A version of this form is available at the end of Appendix B. Copies of this and a like spreadsheet are available by writing fsa.customer.support@ed.gov.

Reconciliation Worksheet — School Systems to COD School Account Statement

1 According to the school's records, its Net Drawdowns/ Payments are $5,278 more than it has substantiated in Net Booked Disbursements.

2 The school's Ending Cash Balance includes $2,126 in Total Net Unbooked Disbursements.

3 The remainder (school's ECB – Net Unbooked Disbursements) is $3,152. **Internal reconciliation** may help explain the $3,152 of excess cash attributable to the month of September. Once you have determined the cause, you must either report actual disbursements, or return undisbursed cash.

(Col. 1) and the SAS (Col. 2).

7 Excess Cash

4 A comparison of the **Cash Detail** on the SAS with the business office's records identifies a refund to G5 that was initiated at the end of September but not recorded by G5 until October.

5 6 A comparison of the **Loan Disbursement Detail** on the SAS with the school's financial aid system shows an online award adjustments not recorded in the financial aid system and an unbooked disbursement that has not yet been reported to COD.

Conclusions In this example, the school has been able to document all of the discrepancies that are shown on the worksheet. The ECB on the SAS is explained by:

5,989   excess cash (7)
– 725   refunds processed after 9/30
– 1250   adjustments made on Web only
– 862   unreported disbursements

$3,152   Cash to be returned or disbursements to be posted and reported

As a reminder, all cash management, disbursement reporting, and monthly reconciliation regulatory requirements supersede the closeout deadline. If a school is meeting these regulatory requirements, 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 reconcile to a zero Ending Cash Balance and close out soon after its final disbursements and should not wait until the closeout deadline.

To be considered successfully closed out, a school must

- have an ECB of $0 and total Net Unbooked Disbursements of $0 internally and as reflected on the SAS, and

- complete the Balance Confirmation form on the COD website.

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 Confirmation or Remaining Balance Confirmation emails. In addition, COD will distribute a Notification/Warning Letter via email 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 website (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 positive balances will be billed.

Once you have successfully confirmed closeout via the Balance Confirmation page in COD, the Financial Aid Administrator and President school will receive a Program Year Closeout Letter to keep for your records.

A school must be aware of its closeout status even if its Direct Loan processing is handled by the school's third-party servicer. We encourage 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.

> **Completing Year-End Closeout**
>
> We encourage you to complete the following simple steps while reviewing your school's internal records and the SAS:
> - Ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program year;
> - Ensure that all disbursements and adjustments are accurate and have been reported to and accepted by the COD system;
> - Ensure that all batches have been sent to and accepted by the COD system;
> - Ensure that all unbooked loans are resolved;
> - Resolve all outstanding rejected records; and
> - Return all refunds of cash to the G5 payment system.

SUMMARY

A key factor to an easy Direct Loan reconciliation and closeout is staying on top of the process.

1. Complete monthly reconciliation. This should include

    - Internal reconciliation—compare internal student accounts and Business Office/Bursar records with Financial Aid Office records.

- External reconciliation—compare internal records to your Direct Loan School Account Statement sent via your SAIG mailbox.
- Resolution of any discrepancies and documentation of any outstanding timing issues.

2. Ensure that all drawdowns and refunds of cash are accounted for and applied to the correct program and award year.

3. 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.

4. Ensure that all unbooked loans are booked or inactivated (reduced to $0).

5. Resolve all outstanding rejected records.

6. Return all refunds of cash. Effective January 1, 2015, all refunds for Direct Loans must be returned via G5.

7. Request any remaining funds owed to the school based on actual disbursements accepted by the COD System.

There are numerous tools available to assist schools in reconciliation and closeout efforts. These tools are as follows:

- School Account Statement (SAS)

- SAS Disbursement Detail on Demand (requested via the Batch/Report Requests/New Report Requests links on the COD Website).

- School Monitoring Report

- Direct Loan Booking Warning Report

- Pending Disbursement Listing

- Actual Disbursement List

- G5 Web Site and Reports

- COD Web site (particularly the School Summary Financial Information, Funding Information, Cash Activity, Refunds of Cash, and Action Queue screens)

- DL Tools software/SAS Compare Program

- Customer Service Representative/Reconciliation Specialist Assistance

Additional Information About
Direct Loan Reconciliation and
Direct Loan Closeout

Each year the Department publishes electronic announcements to assist schools with Direct Loan Reconciliation and Direct Loan Closeout.

The most recent of these are

- Reconciliation

ifap.ed.gov/eannouncements/121715WilliamDFordFederalDirectLoanProgramReconciliation.html

- Closeout

https://ifap.ed.gov/eannouncements/020516DLCloseoutInfofor20142015ProgramYear.html

Additional Resources for Reconciliation

Additional resources for reconciliation include:

- 2015-2016 COD Technical Reference, Volume IV-Direct Loan Tools

http://ifap.ed.gov/codtechref/attachments/1516CODTechRefVol4.pdf

- 2015-2016 COD Technical Reference, Volume VI, Section 8-Reports

https://ifap.ed.gov/codtechref/attachments/1516CODTechRefVol6Sec8Reports.pdf

- IFAP Announcements

http://ifap.ed.gov/ifap/

- COD Reconciliation Coordinators—contact via the main COD Customer Service number at 800/848-0978