

6 Reconciliation

OVERVIEW

A school that participates in the DL Program is required to reconcile the funds that it has received (from the G5 system) to pay its students with the actual disbursement records that it has forwarded to the Common Origination and Disbursement (COD) system. Reconciliation takes place on a monthly basis, with a final reconciliation that is conducted after the award year ends on June 30.

A school is expected to complete final reconciliation and program year closeout as soon as possible after the end of the award year, but no later than the final Program Year Closeout Date. (In past years, the Closeout Date has been 13 months after the end of the award year.)

The starting point for reconciliation is the **School Account Statement** that COD sends to the school each month. A school reconciles its Direct Loan account by comparing the **Ending Cash Balance** on the School Account Statement with its internal records, ensuring that any discrepancies are resolved, and documents any reasons for a positive or negative Balance.

The **Ending Cash Balance** is simply the difference between the **actual disbursement** information that you've reported to COD (and COD has accepted) for individual students and parents, compared to the net **Drawdowns/Payments** that your school has received from the G5 Payment System, as reported on the SAS.

Ideally, the net cash that your school has received in the past month will be fully substantiated by the total disbursements that your school has reported (including any subsequent adjustments). Therefore, your school's monthly Ending Cash Balance should be as close to 0 as possible, taking into account that there may be differences in timing. When the Ending Cash Balance for a month is greater or less than 0, you must be able to account for any differences between the net totals for Booked Disbursements and Drawdowns/Payments.

Topics

School Account Statement (SAS):

- Shows **Ending Cash Balance** for each month
- The **Ending Cash Balance** is based on the totals for net **Booked Disbursements** and the **Drawdowns/Payments**.

SAS Cash Summary:

- Shows totals for **Cash Receipts** and **Refunds of Cash**, resulting in **Net Drawdowns/payments**
- Shows totals for **Booked Disbursements** and **Booked Adjustments**, resulting in total **Net Booked Disbursements**. (Also shows this breakout for Unbooked Disbursements.)

SAS Cash Detail:

- Lists all financial transactions (cash receipts and refunds of cash) that result in Net Drawdowns/payments.

SAS Loan Detail:

- Shows transactions (including adjustments) that your school reported to COD at either the loan level or for each disbursement of the loan, sorted by award ID.

Reconciliation requirement

Schools are required to reconcile their Direct Loan account every month.

See the definition of "School Origination Options" in 34 CFR 685.102(b)

Also see HEA § 455(k)(2)
20 USC 1087e

Sometimes the difference between Booked Disbursements and Cash Receipts 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 Balance from month-to-month, you may not need to correct or update any of the information that your school has provided to the COD or G5 systems.

However, there are a number of instances where the difference between Booked Disbursements and Cash Receipts indicate that incorrect information has been reported to COD or G5, possibly because of inconsistencies between the information in the school’s financial aid system and the information kept by its business office.

Ultimately, you will need to resolve all discrepancies and reach an Ending Cash Balance of 0 when you complete reconciliation at the end of the award year.

In this chapter, we’ll discuss the common reasons why Booked Disbursements and Cash Receipts may differ, and the tools that you can use to identify and resolve these discrepancies.

SCHOOL ACCOUNT STATEMENT

The SAS (sent by COD) includes both borrower data in the COD system and the funds data recorded by the G5 payment system.

Net Booked Disbursements

Net Cash Receipts

COD

G5

*Student & parent
loan disbursement
data reported to COD*

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

Financial Aid
Office

*Exchange of data on students &
parents who are eligible to be
paid; payments canceled & funds
returned.*

Business
Office

Reconciliation ensures that the amount of Direct Loan funds the school has received can be substantiated by records for eligible borrowers at the school. Discrepancies can occur for a variety of reasons, such as:

- Timing issues—funds are drawn down and disbursed in a different month from the that month student/parent records are sent to COD.*
- Actual disbursements reported to COD by aid office, but not to the business office for payment.*
- Actual disbursements or adjustments not reported to COD by the financial aid office.*
- Payments made or not made by the business office that are not reported to the financial aid office.*



SAS options

The SAS is sent to your school on a monthly basis in either the default format or in a format selected by your school.

The default format for the School Account Statement is a “fixed-length” file that includes:

- Monthly and YTD Cash Summaries
- Monthly and YTD Disbursement Summary by Loan Type
- Monthly Cash Detail, and
- Monthly Disbursement Detail (without Borrower Names)

You can change the format and content of the SAS by going to the COD Web site, choosing “School” from the top menu bar, then “Report Selection” from the links on the left, and then choosing “Modify SAS Options.” This will take you to the SAS Options Web page.

For more information about these options, see “Record Format Options” on the COD Web site:

www.cod.ed.gov

SCHOOL ACCOUNT STATEMENT

Each month, the COD system sends a School Account Statement report to your SAIG Mailbox. This report is generated by the COD system during the first weekend of the month following the reported month (for example, the first weekend in September, COD generates a report for August and sends it to your school).

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

Note that your school will receive a separate School Account Statement 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 Statement for a given month.

To successfully “close out” your Direct Loan account at the end of an award year, you must have an Ending Cash Balance of \$0 and Total Net Unbooked Disbursements of \$0, as reflected on your school’s Statement.

Net Cash Receipts Vs. Net Booked Disbursements

As noted earlier, the Balance is the difference between the funds (“cash”) that your business office has received through the G5 payment system, and the amount of actual disbursements that your financial aid office has reported to COD.

More precisely, the two key items that appear on the School Account Statement are:

- **Net Cash Receipts**—the funds that the G5 payment system has delivered to your school, minus any Refunds of Cash made by your school’s business office.
- **Net Booked Disbursements**—the actual disbursement amounts that your school’s financial aid office has reported to (and have been accepted by) the COD system, including any downward adjustments.

Thus, the SAS provides you with an initial comparison of the data on file at the COD and G5 systems. A positive or negative Balance may be an indication of inconsistent or missing information. However, the source of many discrepancies lies in your school’s records, so the process of reconciliation will often require you to identify information that is in your school records but has not been reported to COD.

Also keep in mind that your school’s reconciliation procedures must ensure that the data in the COD system is fully supported by the records kept by your school’s financial aid and business offices.

Summary and Detail Information

Each School Account Statement includes a **Cash Summary**, which is a high-level report that shows the Ending Cash Balance and totals for loan awards received by the COD system, and funds paid out through the G5 system. The Cash Summary can be used to quickly identify whether you have discrepancies with your funding data or your COD records, or both.

The School Account Statement also has more detailed information that you can compare to your school records to identify missing or incorrect information:

- a **Cash Detail Report**, which can be compared to the business office’s record of cash drawdowns and Refunds of Cash through the G5 system, and
- a **Loan Detail Report**, which can be compared to the financial aid office’s records for loan disbursements submitted to COD (as an alternative, you can use the **Disbursement Summary by Loan Type**, which provides intermediate level disbursement information).

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 Ending Cash Balance.



Using DL Tools

Many schools find DL Tools to be useful in the Reconciliation process, even if they are not using EDEExpress. For instance, you can use DL Tools to import the SAS and print it in a readable format.

Note that you must update your SAS options (see “SAS options”) if you want to use DL Tools to run a comparison to your school data. You will need to select the SAS options for:

- YTD Cash data, and
- either YTD Loan or YTD Disbursement Level Detail data.

We’ll mention some of the other features of DL Tools as we go along.

DL Tools is free software that can be downloaded from:

fsadownload.ed.gov



Monthly or YTD Cash Summary

The Cash Summary is presented either as a Monthly or YTD figure. The Beginning Cash Balance for the YTD cash summary will always be 0 (zero), but the Cash Summary for each month begins with the ending cash balance from the previous month.

Unbooked loans

The Cash Summary also provides totals for “unbooked loans.” Instances of unbooked loans should become increasingly rare during the 2008–2009 award year, as all schools are required to have an MPN on file for actual disbursements to be accepted by COD.

Cash Summary is based on transactions occurring during that month

- **Returns of cash** will only be included on a particular month's report if they were received by the G5 system in that month.
- The **Net Booked Disb. Actual** and **Net Booked Disb. Adjustments** are totals of all transactions acknowledged as booked by the COD system during the month.
- The **Ending Cash Balance** indicates the cash balance at the end of each month for all the cash transactions and booked disbursement transactions.

■ CASH SUMMARY

Once your school receives the School Account Statement, 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. In addition to the ending cash balance, the Cash Summary shows:

- **Net Drawdowns/Payments**, which is **Cash Receipts** (funds drawn through G5) minus **Refunds of Cash** (funds returned through G5), and
- **Total Net Booked Disbursements**, which is **Booked Disbursements** minus **Booked Adjustments**.

When comparing data at the Cash Summary level, you should identify and focus on any areas with discrepancies. For example, if your internal records match the figures for Cash Receipts and Refunds of Cash, but not for Total Net Booked Disbursements, you can then focus your detailed reconciliation efforts on the Booked Disbursement and Booked Adjustment transactions.

When reconciling the SAS cash summary with your school's internal cash records, you must allow for any timing differences caused by transaction dates that fall close to the beginning or the end of the month.

When conducting reconciliation, you need to take into account any differences in the way that the three systems—the school's business office system, the school's Direct Loan system, and the COD system—account for cash receipts, excess cash, and disbursement transactions. Each system may “look” at the same transaction differently. For instance, a disbursement shown in the school's DL system may not have been sent to COD (or may have been rejected), and thus would not appear on the COD system or the School Account Statement.

If you can account for any remaining cash balance (positive or negative), then reconciliation has been successfully completed. Remember that a school must document its reconciliation process and the results of each monthly reconciliation.



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: 09/30/2008

School Code: G09009

Beginning Balance		\$1,200
Cash Receipts	\$26,650	
Refunds of Cash	-\$1,500	
Net Drawdowns/Payments	\$25,150	
Booked Disbursements	\$25,235	
Booked Adjustments	-\$950	
Net Booked Disbursements	\$24,285	
Ending Cash Balance	\$2,065	

Analysis of sample summary information:

- The school began the month of September with a positive cash balance of \$1,200. This cash amount may be supported by some of the actual disbursement information submitted in September.
- The Summary shows \$1,500 in cash returned during September. This may represent a reduction in loan amount for one or more students, which should have also been reported as adjustments to COD. Or it may simply represent excess cash that the school has returned.
- The Summary shows school adjustments that resulted in a net reduction of \$950. Some or all of this amount may be related to the \$1,500 figure for Refunds of Cash.
- The Ending Cash Balance has grown to \$2,065. The school will need to review the cash and loan disbursement detail sections and compare them to data in its own systems to identify the source of this discrepancy.



Cash Issues

- **A drawdown from one award year is used to pay disbursements that have been reported for a different award year.**

For instance, a school draws down \$12,000 from its 07-08 authorization, but uses \$6,000 from that drawdown to make loan disbursements that are based on 08-09 disbursement records that have been sent to COD.

- **Funds are sent as refunds of cash that should have been noted as a payment by the student (or a student payment on the loan is sent as a refund of cash).**

For instance, a student wants to return loan funds more than 240 days after the date of disbursement, and the school sends the check to the G5 system rather than the DL Servicing Center.

DL Tools & 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.

Most of the features in DL Tools do not require the use of EDEExpress. DL Tools can be downloaded free of charge from at:

fsadownload.ed.gov

CASH DETAIL

If you can't reconcile the balances on the cash summary report with your school's internal records, the next step is to compare the SAS Cash Detail records to your school's records.

The monthly Cash Detail report includes:

- Cash Receipt (drawdown or “pushed” funds) information transmitted by the G5 system to COD for that month.
- Refunds (of Cash) information from the G5 system (or COD, if the school sends cash directly to COD). Refunds are reported for the month in which G5 transmitted the information to COD, or the month in which funds were received directly at COD.

The cash detail records include G5 control numbers for drawdowns and check numbers for returns of cash made directly to COD.

During monthly reconciliation, cash detail information should generally be compared directly to the school's internal business office records, such as bank statements and canceled checks. Cash reports may be run from the school's financial aid system, but the school should use its business office records as the final authority.

Remember that your school may be receiving monthly SAS reports for different award years. The concurrent reconciliation efforts may result in overlapping cash detail data, such as when a single drawdown has been split between award years. Schools should ensure that there is good communication among the staff members responsible for reconciling the different academic years. These multiple-year reconciliation efforts will sometimes reveal global issues at the school that need to be resolved.

Other common discrepancies between school records and the SAS Cash Detail include:

- Differences in dollar amounts.
- Individual drawdown requests or returns of cash sent at the end of the month, but recorded by the G5 payment system for the next month.
- Cash receipts or returns of cash not recorded in one or more systems.
- Cash receipts or returns of cash recorded in the wrong year in any system.
- Returns of cash that are associated with a loan cancellation or payment, but are not matched by a corresponding adjustment to the student's COD record.

If you haven't been able to resolve the discrepancies by reviewing the cash detail section of the School Account Statement, you will need to continue the reconciliation process by using other resources, such as loan detail information.



Example of SAS Cash Detail

The Cash Detail shows each exchange of funds with the G5 system. (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	09/06/2008	\$12,800	09/12/2008	2005091212345
Receipt	09/12/2008	\$5,600	09/12/2008	2005091267890
Refund	09/15/2008	\$1,500	09/12/2008	000000101100...
Receipt	09/26/2008	\$8,250	09/12/2008	2005091234567
Total Cash Receipt Records			3	
Total Refunds of Cash Records			1	
Total SAS Cash Detail Records			4	
Total Cash Receipt Amount			\$26,650	
Total Refunds of Cash Amount			\$1,500	

Analysis of sample Cash Detail statement:

- As expected, these entries add up to the total **Cash Receipt** and **Refunds of Cash** shown on the Cash Summary portion of the report. (It would be highly unusual if they did not.)
- From the Cash Detail, we can confirm that the \$1,500 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 Loan Disbursement Detail to confirm this.
- A comparison with school 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 this statement, and the Total Refunds amount shown on statement would be too low. (Conversely, the Total Refunds amount on the SAS for the other award year would be too high.)



Loan Issues

• “Actual disbursement” record(s) not sent to COD

For example, the financial aid office notified the business office that the student(s) would be eligible for payment on a given day, but neglected to transmit the batch file with the actual disbursement information to COD.

• Disbursement rejected by COD

For example, the business office may have made a disbursement to the student’s account, but the “actual disbursement” record sent by the financial aid office was rejected by COD.

Requesting Loan Detail Information

If a school wants to receive loan detail information as a part of its School Account Statement, it should contact its customer service representative at COD School Relations.

If the school decides not to receive this information on a regular basis, it can change its request at any time.

Note that we cannot provide detail for prior reporting periods if a school did not have their SAS options set up to include that information at the time the report was run. However, a school can change its options so that it receives YTD detail, which would provide all disbursement and cash detail transactions from the beginning of the award year through the end date of the next scheduled report.

DL Tools & the Loan Detail Report

You can use DL Tools to compare the School Account Statement (SAS) Report to loans and actual disbursements recorded in EDEExpress or an external file.

If you use EDEExpress, DL Tools can also be used to rebuild your database, should that become necessary.

LOAN DETAIL

Monthly & YTD Disbursement Details

The default option for the School Account Statement includes a Monthly Disbursement Detail, which lists all of your loan transactions (including adjustments) without borrower names. If you wish, you can request this information on a Year-to-Date basis, though you should be aware that this will significantly increase the size of the report as the award year progresses. (SAS options can be changed on the COD Web site.)

The monthly Loan Detail 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).

Even if your school has chosen not to receive the loan detail information with its monthly SAS, you can still request reports on an as-needed basis (see sidebar).

Timing Issues & the School Account Statement

As noted earlier, timing issues could be a recurring source of discrepancies. For instance, when the business office draws down and disburses loan funds in late September, the financial aid office may not send the actual disbursement records for those loans until the beginning of October. In this case, the school needs to check to make sure that the disbursement information was accepted by COD and appears on the SAS Loan Detail for 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 as soon as possible after the funds are credited to the student’s account.

Disbursement and adjustment transactions appear on the School Account Statement for the month in which the COD system receives or acknowledges the transaction. A September disbursement acknowledged by the COD System in October will therefore appear on the October School Account Statement, which will arrive at the school in early November.

Comparing the SAS Loan Detail to school records

You should compare the information on the SAS Loan Detail to the information in your school’s financial aid and business office systems. Your school’s internal records are critical to this comparison—that is where you are most likely to find information that has not been transmitted to COD, or transactions that have been assigned to the wrong award year.



Example of SAS Loan Detail

The Loan Detail shows each loan transaction for the month, initially sorted in order of Loan ID number.

Student's Name PLUS Borrower's Name Loan ID	Record Type	Gross Amount	Fee Amount	Int Rebate Amount	Net Amount
Disb #	Seq #	Type	Disb Date	Gross Amount	Net Amount
Disbursement and L					
JONES, SAMANTHA 111223333805309009001	Booked 1	\$656	\$19	\$10	\$647
	1	D	03/25/2004	\$656	\$647
111223333J05309009001	Booked 1	\$1,000	\$30	\$15	\$985
	1	D	03/25/2004	\$1,000	\$985
BRADBANK, CARRIE BRADBANK, MISTER 444556666P05309009001	Booked 1	\$2,468	\$98	\$37	\$2,407
	1	D	03/25/2004	\$3,750	\$3,657
	66	A	03/25/2004	\$2,725	\$2,657
	67	A	03/25/2004	\$2,468	\$2,407
BRADBANK, CARRIE 444556666S05309009001	Booked 1	\$438	\$13	\$7	\$432
	1	D	03/25/2004	\$438	\$432

What's NOT on the SAS Loan Detail is as important as the loans that are listed. To find the missing loans, you have to go to other sources of information.

✓ Check COD Warning Report for unbooked loans

- Review the 30-Day Warning Report (Message class DIWR--OP) sent by COD. Check for loans that are missing a necessary component to book the loan (missing a loan origination record, MPN, or first disbursement)

✓ Check status of awards, MPNs, and actual disbursements in your school's database(s)

- Search for initial award records, MPNs from your school, or actual disbursements that are in your school's database but either have not been transmitted to COD or have been rejected by COD. (Rejected transactions do not appear on the SAS Loan Detail.) Most software packages can generate reports showing the current status of all award records, MPNs, and actual disbursements in your database.

✓ Check your school's business office records

- Review your business office records to ensure that cash drawdowns and returns of cash were attributed to the correct award year. Also compare the disbursement records in the business office (credits to student accounts) to the actual disbursement information in your financial aid office system, and to the actual disbursements shown on the SAS.

A comparison may show data that is in one of the school's systems, but is not getting to COD. This includes disbursement batches that have not been exported or transmitted to COD, as well as cases where a disbursement is recorded in the school's business office system but not in its financial aid office system.

Finally, keep in mind that you may find that missing loan transactions appear elsewhere in your school's records, under a different award year. This can happen anytime a portion of a cash drawdown from one award year is used to make a loan disbursement in another award year.



DL Tools - Reports

The following reports can be run for all program years:

- Internal Ending Cash Balance Report
- Cash Detail Comparison
- Loan Detail Comparison – Loan Level
- Disbursement Detail Comparison
- School Account Statement (SAS) Cash Detail
- SAS Loan and Disbursement Detail
- Disbursement Measurement Tool Report (EExpress schools only)

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 Web site at <http://cod.ed.gov/> (see section in this document titled, "School Account Statement (SAS) Options").

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

Look for award, MPN, or disbursement records that have not been accepted by COD

A useful tool for identifying unbooked loans is the **30-Day Warning Report** (Message class DIWR--OP), which is based on information in the COD system. Check this report for loans that are missing a necessary component to book the loan (missing a loan origination record, MPN, or first disbursement).

You should also check your school's records for transactions that COD may not have received and accepted. There are a number of ways to look at your school data. Many software packages can generate a basic list of **award, MPN, and/or first disbursement** transactions with status flags. (For instance, the "List Status Report" in EExpress will list all three of these categories.) Look for transactions where any of the status flags are not in "A" (Accepted) status.

Another way of looking at your school data is to generate an **origination status report, pending disbursement report, or a list of actual disbursements**. (These are named "List-Loans," "List-Anticipated Disbursements," and "List-Actual Disbursements" in EExpress.) Again, check for any disbursements not in "A" ("accepted") status, and take the appropriate action.

To review MPNs that your school has queued for submission to the MPN processor, generate an MPN status report from your school records. (This is named "List Promissory Note" in EExpress.) Again, look for MPNs that have not been accepted by the COD System (or labeled "A" or accepted) and take the appropriate action.

Review disbursements made by the business office

Review your **business office disbursement records** (credits to student accounts) for any discrepancies between loan disbursement records, compared to the actual disbursement information in your financial aid office system, and to the actual disbursements shown on the SAS.

PREPARING FOR MONTHLY RECONCILIATION

Your school's financial aid and business offices should maintain their internal records in such a way that they can prepare for monthly reconciliation by completing the following steps each month:

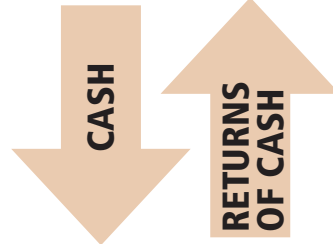
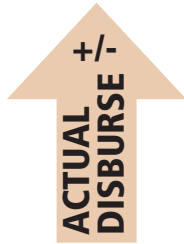
- Export all pending data, including current award and disbursement information (including adjustments), and completed and signed promissory notes and promissory note manifests. (You should allow at least 5 business days for all pending items to be acknowledged by the COD system.)
- Import all pending acknowledgments, so that you will have all necessary summary, MPN, and disbursement acknowledgments.
- Review the batch activity list for any unconfirmed batches, and import any missing acknowledgments.
- Review drawdown and excess cash activity in your school's federal bank account and reconcile any discrepancies.
- For schools using EDEExpress (free PC-based software provided by ED), run the Booked Status Report Measurement Tool. This report helps identify any unbooked loans in the school's system and indicates which component (master promissory note or disbursement record) is needed to book the loan.
- Back up all Direct Loan and other data files affected by reconciliation.

Example: Reconciliation at Steamboat College

SCHOOL ACCOUNT STATEMENT

Net Disbursements
\$800,000

Net Cash Receipts
\$815,000




**FINANCIAL
AID OFFICE**
\$816,000



**BUSINESS
OFFICE**
\$813,000

In reviewing its database, the financial aid office discovers 9 disbursements made by the business office that were not listed on the SAS Loan Detail:

- an unsent batch of 6 actual disbursement records, totaling \$12,000.
- 2 actual disbursement records that were sent to COD, but were rejected, totaling \$4,000.

Once these records are transmitted (assuming that the errors in the rejected records are fixed), the total net disbursements for the month are \$816,000.

In reviewing its records, the business office discovers:

- a Return of Cash of \$2,000 that should have been made for 08-09 was mistakenly returned as 07-08 cash.

Therefore, the actual net cash receipts for the 08-09 award year for this month should have been \$813,000.

Thus the corrected Ending Cash Balance is not \$15,000, but -\$3,000. Steamboat's financial aid officer is able to confirm that 2 actual disbursement transactions totaling \$3,000 were reported to COD on the last day of the month, and the business office did not draw down funds for those disbursements until the beginning of the next month.

COMPLETING RECONCILIATION

Completing Monthly Reconciliation

A school has completed its monthly reconciliation when all differences between the SAS and the school's internal records (Direct Loan System and business office system) have been resolved or documented.

In addition, 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 miscommunication and take necessary corrective actions to ensure that they will not recur in the following month.
- Document all reconciliation efforts for future reference and review.

We strongly recommend that you document your monthly reconciliation efforts. This will be extremely useful to your school as a reference for end-of-year reconciliation and closeout for the academic year. Monthly documentation also shows that your school has made a good-faith effort to reconcile its records to ED's records, according to program requirements. The Department does not regulate specific types of documentation for school reconciliation activities. The format of the documentation is not as important as what is documented.

In addition to resolving cash balance issues in a timely manner, careful monthly reconciliation also allows schools to complete their year-end closeout much more efficiently.

In summary, monthly reconciliation and documentation enables schools to:

- track outstanding issues from month-to-month, and
- keep historical records of issues for later review or to update new or returning staff members.

Year-End Closeout

Reconciliation takes place on a yearly as well as a monthly basis. Year-end closeout is the final reconciliation of all school information in the COD system, bringing the Ending Cash Balance to \$0 for the award year that it is closing.

The year-end process is similar to monthly reconciliation in that the school's main purpose is to match its internal records to those in the COD system.



Completing monthly reconciliation

All discrepancies have been identified and resolved

Timing issues are tracked for reconciliation in next month's School Account Statement

All monthly reconciliation activities have been documented

Completing Year-End Closeout

We encourage you to complete the following simple steps while reviewing your school's internal records and the School Account Statement:

- * 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.



Closeout Notification

As part of the closeout process, we will send a Notification/Warning Letter to schools three months before the final closeout date. This letter will go to all schools that have not officially closed out (including any schools with a zero balance). The letter will be sent to the school's Financial Aid Administrator and President as a reminder to close out before the final deadline.

A school must be aware of its closeout status even if its Direct Loan processing is handled by a third party servicer. It is the school's responsibility to ensure that it closes out on time. If this is the case for your school, please communicate with your third party servicer to ensure closeout is completed.

The year-end closeout process is complete when:

- the school and COD (YTD School Account Statement?) each show a cash balance of \$0, indicating that the school has accounted for all Direct Loan funds received from ED, and
- all COD transaction records match up to all Direct Loan transactions in your school's financial aid and business office systems, and
- all remaining unbooked records have been booked or reduced to \$0, so that the SAS Cash Summary reflects \$0 Total Net Unbooked Disbursements.

Your school must confirm its \$0 balance through the COD Web site to be considered officially closed out.

The final YTD School Account Statement provides ED's official ending cash balance for the school as of the date of the report, based on the records in the COD system. The YTD School Account Statement is sent by COD to your school and comes as two text files—a summary file and a loan detail file.

You should begin by importing the YTD School Account Statement, which summarizes the total balances for cash receipts, returns of excess cash, and booked disbursements. You should then compare these totals to the internal records kept by your office.

If the YTD School Account Statement and internal records show a balance of \$0, then your school is considered to have successfully closed out the given program year. If the balances match but show a balance of anything other than \$0, you should determine what transactions need to be forwarded to or imported from the COD system to complete the closeout.

If the balance on the YTD School Account Statement and the school's balance do not match, then you should import the Loan Detail file. This file provides loan and cash information at the loan level, so you can compare these amounts to your internal loan records to determine why the balances do not match. If cash transactions are not accounted for, you should contact the COD School Relations Center to determine if drawdowns or returns of cash were allocated to a different program year. If returns of cash were allocated to the wrong award year, you should use the G5 Web site to reallocate the cash to the correct program year. (Pushed Cash schools should contact COD School Relations for assistance in reallocating cash.)

If the balance is not \$0, then your school is responsible for reviewing and correcting its records. Your COD School Relations representative will work with you until you are able to reach a \$0 balance and complete reconciliation.