

Allison Richards:

I'd like to welcome you to session number one, Direct Loan Reconciliation and Programming Your Closeout from Start to Finish. My name is Allison Richards, and my co-presenter is Tracy Lardinois. I am the team lead for the Federal Student Aid Internal Controls Divisions School Reconciliation Team, and Tracy is one of my team members.

We provide service to schools across the Title Four programs in terms of reconciliation, helping to substantiate funds in a timely manner, and again, that's across all Title Four programs not just direct loans. Tracy and I have both been in – with the direct loan program, at least intermittently, since very close to the beginning of the program. So we do have a wealth of information that, hopefully, we will be able to communicate to you today at a high level. Okay?

We'd like – since this is such a large room, you're welcomed to move up if any of you would like to come closer to the front. We've got plenty of seats up near the front of the room. If you do have questions during the session, we would like you to hold those to the end. This room is large enough that it will be very difficult to handle questions in between. So make a note of what your question is, and then, at the end, we'll let you know when we have time for questions, and you can come up to one of the mics. We've got two here to the side of the podium near the front of the room, and then they've set one up in the middle row closer to the back.

Our agenda today includes daily processing which is really where you start in your reconciliation and program your closeout process. If you're able to stay on top of that daily processing and manage your processing efficiently and effectively then your month end reconciliation and your program year closeout processes should go very smoothly.

The second piece we will talk about is the reconciliation process itself and what you need to do on a monthly basis as well as how to prepare for that monthly reconciliation process then we will move onto the program year closeout process which is where you will finish for the year. Okay?

At this point, I'm going to turn mic over to Tracy who is going to start with the daily processing.

Tracy Lardinois:

Thank you, Allison. Welcome, everyone. I'm glad that you chose to come and see us in this direct loan reconciliation session. I hope

you can take back some information to your schools that you will find useful. As Alison mentioned, I'm going to start us off by talking about the daily processing and then take you through the reconciliation process.

Now you have noticed, on our slides, that we have a relay theme, and that's because we thought that it symbolized reconciliation where you have to pass on information to different individuals and different systems, and you have to work as a team. It takes a team effort to go through reconciliation and closeout.

I'm going to start with daily processing, and as Alison mentioned, daily processing is essential to your reconciliation process. That is because there is a direct correlation between daily processing and reconciliation. If your daily processing is going smoothly, so will your reconciliation process and your closeout. When I work with schools, 99 percent of the time, when I see them struggling with reconciliation and closeout, it's because there's something going on in their daily processing. So let's take a look at some of the things that will help you in your daily processing and ultimately your reconciliation closeout.

One of the things you should do is to finish what you start. To help you do this, you should map your processes and procedures. I worked with a school the other day that actually had made a flowchart of all their processes, and then they were going to use that to map out procedures and who does what and when and those types of things. And I think if you take the time to do that – and I know it does take some time – you'll find out that it saves you some time in the long run.

You will want to monitor your processes on a regular basis to see if there's any changes that you feel are necessary to make the process go more smoothly. You should ensure that all records are sent and accepted to COD and look at timing issues that – to make sure that you finish what you start within the month. For example, you may want to limit your drawdown activity. You probably don't want to do a drawdown at the very last day of the month because it probably won't show up on the COD system until the following month, and that's going to cause you some reconciliation. That's just one example of a timing issue.

Another would be that you may want to schedule your disbursements if you can. I know that's not always possible in certain situations, but you may want to schedule your disbursements so you make sure that you can get them to COD, get

them accepted and resolve any rejects. That way, you'll minimize the amount of timing issues.

All right. Another thing that is key to your daily processing is good communication. This is especially true between your business office and your financial aid office. I can't stress that enough. Don't be scared, also, to share your information with your COD customer service rep. The more information you give them, the better they will be able to help you.

How many of you – can I see a raise of hands – know that you have a COD reconciliation coordinator? Oh, great. Quite a few. If you haven't ever spoken to your COD reconciliation coordinator, you can call your regular customer service rep, and they can get you in touch with your reconciliation coordinator. They're there to help you with actually reconciliation and closeout issues. We do have a couple in the audience today. Raise your hands. Stand up. And then, also, they're staffing the COD computer lab, and they'll be down there. So go down and meet them and say hi. They would definitely like to see you and answer any questions you have.

Okay. There's also various helpdesks available to you. Allison has listed some of these in her section of the presentation, and also, you have a list of different resources in your conference materials. There's training available online for both your daily processing. There's COD training. There's ED Express training, reconciliation training. You can find a lot of that training is offered as webinars, and you can go to IFAP.ed.gov. That's I-F-A-P dot E-D- dot gov, and all those resources are available there for you.

Okay. During daily processing, it's a good idea to track trends. If you – are you always hitting the same edits? Do you have repetitive rejects? If so, take a step back and look at your daily processing and see what might be going on there. You may want to track the time it takes to report disbursements.

You have a 30 day reporting requirement. That means that you have 30 days, from the date of disbursements, to report disbursements to COD. To help you monitor that, we send out a school monitoring email to your financial aid director, and in that email, there is a section that will tell you whether you're having problems with reporting disbursements timely. It gives you statistics on that. So, if you've never seen that report, you may want to talk to your financial aid director and let them show you that section.

Another thing to track is whether you have posted downward adjustments and also, subsequently, sent back your refunds of cash. We see that this is sometimes trends in schools that they consistently do that, and part of that is due to communication between their business office and their financial aid directors.

Another thing that we see a lot of is disbursements – or drawdowns in the wrong year, and that typically happens at the beginning of a new award year where you're drawing down funds, and you may not remember to put in the correct year in G5 for that. So, if that's a trend that some – happens, you may want to make a special note to yourself that, at the beginning of the award year, you need to be aware of that. Okay. We spent a little time on daily processing which hopefully will help you with your reconciliation and closeout efforts.

Now let's take a look at reconciliation. What is reconciliation? That's the big question. This is the process by which the direct loan balance reported in the department system – can anybody tell me what the department system is? It's COD, your common origination and disbursement system. That is your disbursement – or that is our system of records, and it creates what is called a school account statement. We also refer to that as a SAS, and that is a monthly report that's sent to you through your SAIG mailbox, and it's like a bank statement, comes every month to you.

And you're going to use that to compare against your internal records. How often are you required to reconcile? It's monthly, and by doing monthly reconciliation, it doesn't mean that you have to get to a zero ending cash balance. What it does mean is that you need to identify and resolve any discrepancies in your balances and then document and reasons why you have an ending cash balance, and I'm going to talk about that, in more detail, a little bit later.

Now that we have defined the reconciliation or what reconciliation is, let's look at the three key players involved in the reconciliation process. And we have the financial aid office, the business office and COD. Those are the three key players.

You'll notice the relay race. They're handing off information between the financial aid office and business office. We highly encourage you to do a three way comparison. So you want to, first, do an internal reconciliation or comparison of your balances between your business office and your financial aid office. That means any money that you've drawn down, you want to make sure that that's accounted for and that you are in balance between those

two systems. If you do that, when you go to reconcile against COD for your monthly reconciliation and using your SAS, it's going to be much easier because you've already identified the issues in your internal systems.

So your financial aid office then will want to reconcile with COD by looking at the disbursement and adjustments information, and your business office will reconcile with COD by looking at the cash, the drawdowns, the drawdown adjustments and refunds of cash. You'll notice that G5 is kind of sitting off on the side. It's used as a resource.

When you do drawdowns and refunds of cash in G5, that information is sent to COD and then we use the information out of the COD system to create your school account statement. That's why it's our system of records. So, if you use the G5 to reconcile against initially, there may be some timing differences. So you really need to reconcile your cash against the school account statement first and then use G5 as a resource.

Okay. Now let's look at how you prepare for monthly reconciliation. When I was at the NASPA Conference, I heard from many schools that they were still struggling with how to prepare for reconciliation. So we decided, today, to spend a little time by defining the reconciliation responsibilities and talking about the importance of documenting procedures and preparing for the end of the month.

So let's look at defining responsibility. This is decided who does what in the reconciliation process. One thing you need to determine is who will be pulling in and using the school account statement? Remember, that's your monthly statement sent to you by COD. We recommend that both the business office and the financial aid office use this report. You should discuss – you should also use that report and determine who will and how you will track and resolve discrepancies and how you're going to document your monthly reconciliation process.

You should discuss, also, who needs to have access to COD and other systems. I've worked with many schools that have – that the financial aid office just has access to COD. We highly recommend that someone in your business office have at least read only access because there are screens, in COD, that they will find helpful to help manage their and monitor their cash, and we'll look at a couple of those screens a little bit later.

I also highly recommend that, if you use a third party servicer, that you monitor your cash – or that you also get access to COD so that you can look at your cash balances and monitor those balances. You should talk, internally, about what reports are available and which reports would best serve your needs at your school – both internal reports and reports offered by COD. And we also recommend that you have regular meetings to discuss any trends or discrepancies that you have and how you might improve your process.

Okay. Another thing you want to look at, when you're preparing for monthly reconciliation, is how you're going to prepare at the end of the month to reduce the amount of discrepancies that you have between your school account statement and your internal balances.

One of the key issues, again, is communication between the business office and the financial aid office. You'll want to look at resolving as many rejected records as possible to reduce those discrepancies. The fewer rejects, the fewer discrepancies. Identify any pending disbursements that you have entered into your system that have not been made actual disbursements but should have been. So you'll want to look for those on your system. You want to make sure you export and transmit all records and import all acknowledgements and then that key item, reconciling internally, so that you know what your balances are between your internal systems, and if there's any discrepancies, you know what those are and you can fix those.

Okay. We've looked at how to prepare for reconciliation. Now let's talk a little bit about how you would implement. I'm going to give you just a quick overview of the school account statement then I'm going to talk about common reconciliation discrepancies and some reports and tools that you can use to help resolve and identify those discrepancies. Finally, I'm going to talk about how you can document your monthly reconciliation.

On this screen, you'll notice the little, blue ribbon. That's because your school account statement is your blue ribbon report. It's the main key report that you're going to use for reconciliation. It is generated on the first full weekend of the month, and it contains data through the end of the previous month. For example, your November SAS will run this coming weekend, maybe while you're still in Las Vegas if you're lucky, and will be delivered to your SAIG mailbox on Monday. So, when you go back to work on Monday, it should be there.

And it's going to contain data through the previous months. So up through October 31st, and that data is year specific, and you will be getting separate SASes. That means you'll get a separate one for '10 – '11 and a separate one for '11 – '12. The report is divided into different sections, and different people might use different sections. They include the cash summary, which includes summary information for your drawdowns and your disbursements. They also contain cash detail and optional disbursement information, and I highly suggest that you actually choose to get that disbursement information.

Okay. If you printed out the slides, your next slide is going to be a chart. Oops, it's still closed. All right. They didn't switch it for me. Anyway, we'll go through this. This is how you actually use your school account statement. First, your school is going to receive it, and you're going to get that cash summary information.

Okay? You're going to look at that, and that contains your disbursement totals and your drawdown totals, and if those match your internal records and you can account for any ending cash balance that you have, then you're basically done. You just need to document. If your balances do not match your internal records, then you're going to want to go to the next step which is comparing your cash detail or comparing your loan detail.

So if your drawdowns on your internal system don't match the drawdowns on – or the net drawdowns on your school account statement then you're going to want to look at that cash detail, those individual transactions, so those individual drawdowns, those individual refunds of cash and see where you might have some discrepancies and then try to resolve those.

If your net disbursements don't match your internal or – your internal net disbursements don't match the net disbursements on your SAS, then you're going to want to dig deeper into that disbursement detail and see if there's any discrepancies there, and you may find things like you didn't send a batch in. You have a batch on your system, but COD doesn't have it on their system, things like that. We'll go into more of those discrepancies a little bit later. Once you've looked – identified those discrepancies and figured out ways to resolve them, then you just need to document that process and then you're done.

Okay. Let's take a look at the different sections of the school account statement or the SAS. First, you have the cash summary information, and I'm going to just do an overview. If you really

want detailed information about all your different options for this report and all the different formats that it comes in, then I suggest you look at Volume Six, Section Eight of the tech reference, and we have that marked on our –one of our last slides. So but I – look at that section.

And it's written in a way that you should be able to understand it. It's not just for those technical people. I mean there are file layouts in there, but there's also information about how to use the report and what it's for, and then, if you still have questions, make sure you call your CSR or your recon coordinator, and they can walk you through on how to choose your options for the report. And you do that in COD. You can choose your options. There's a screen in COD to choose your options for the report. So they can help you with that.

If you're – if you use a software vendor, you may want to talk to them and see what kind of format or – of the report that they suggest that you actually choose. Okay.

So the first section of the SAS is the cash summary, and even though it says, "Cash," in the title, it does summarize both your cash and your disbursement transactions that are recorded in COD. You'll notice that there's a box at the bottom which is just to give you a quick reminder of how you calculate your ending cash balance, and that's ending cash balance equals your beginning balance which is always zero at the beginning of every new award year plus any net drawdowns and payments minus any net disbursements – net book disbursements. Okay. So you can use that to compare against your internal totals.

Now this next section on your SAS is the cash detail which provides a listing of individual cash trends actions. So you'll see individual drawdowns, individual refunds of cash and what the transactions dates for those are, and you can compare that against your internal bank ledgers and cancelled checks and different things like that.

This information is processed in G5 and then sent to COD so that they can produce this report. Again, there's a box at the bottom to remind you just how your net drawdowns are calculated, and that's cash receipts minus any refunds of cash.

The third section of the school account statement is the disbursement detail which is also sometimes called the loan detail, and this is an option part, again, of the report, but again, I highly

suggest that you get this. It either contains loan level information or individual disbursement transactions. So it can be if you have three disbursements for a student. If you choose level, it would wrap all those up to one line item on the report. If you choose individual disbursements then you're going to see three different disbursements there. So depending on how your system works would be depending on what choice you make as far as the disbursement detail.

You can use this to compare against the disbursement detail in your systems to just identifying if there's any discrepancies. The box at the bottom shows your total net disbursements equals book disbursements minus book adjustments. Just remember that the adjustments can be either upward adjustments or downward adjustments. For the most part, they're going to be downward adjustments, but that can be a positive or a negative number there.

Okay. Now let's talk about some common cash discrepancies. One of the most common is cash in the wrong year, and we've already talked a little bit about that. Another one is when drawdowns get split or should have been split. So maybe you drew down a lump sum that really you should have done two drawdowns, one for '10 – '11 and one for '11 – '12. We see that every once in awhile. Another discrepancy is when you make – you send back the refunds of cash as a payment to servicing or the reverse, and it's very rare that you should be sending back payments to servicers. Most of your refunds of cash will be downward adjustments.

Another thing is – another discrepancy is fund recycled for disbursements in a different award year. That means, if you drew down, say, \$5,000.00 and you disbursed \$3,000.00 in '11 – '12, we've seen where some schools will use the remaining balance and disburse in '10 – '11 and so then it throws all their balances off. So just remember that drawdowns and disbursements are all award year specific. You need to make sure you're doing them in the correct year.

Timing is probably one of the biggest issues especially when you're sending back refunds of cash because there is a delay between when you send in that refund of cash or when you do it through G5 and when that information gets to COD. So just try to remember that it takes about five to seven days for that refund of cash to actually post in COD before it will show up on your school account statement.

And one I missed was funds from different programs doing – either drawing down funds in a different program and like for Pell instead of direct loans. We see that, too, every once in awhile. One that is not on here that you might want to make note of is we do see discrepancies when schools send back refunds of cash with pennies, and just recently, there was an electronic announcement that went out on November 21st, 2011 that explains that, since adjustments are stored in COD in whole dollars, you should submit your refunds of cash in whole dollars as well, and it gives you some detailed information in how that is all done.

Okay. So let's look at some cash reports and tools that will be useful for you to help resolve those cash discrepancies. There's a school summary financial aid information screen in COD, and we're going to go over the ones that have little stars. There's also the cash activities screen and then there's the refund of cash which lists all refunds of cash that have been reported from G5 or that you've sent back checks for. Those are – it just gives you a list of those in COD. Some internal reports that you might find useful to help resolve discrepancies are your school summary information reports that you have at your school or any bank statements or ledgers and then you can also use G5 as a resource.

Now let's take a look at the school summary financial information screen that's in COD. You get there by clicking on "School" and then on the link on the – I guess it would be your left – is – there's a link there that is – or that says, "School summary financial information," and you can just click there. This screen contains similar information as your cash summary section of your school account statement. It looks almost identical depending on how yours prints out.

So you can use this to help monitor your cash balances during the month so that you're prepared for your monthly reconciliation. It's one of those screens that I highly suggest that both the financial aid office and the business office has access to.

Another screen in COD that is helpful is the cash activities screen, and there's a link there for that as well. This lists any drawdowns and drawdowns adjustments and any refunds of cash by program and by year. It is updated daily with data from G5, and you can use this to monitor your cash detail and also your on time reporting. You'll notice that there's a row there that says, "Days left for on time reporting."

What that does is, when you've drawn down funds, it starts calculating – it puts a 30 day mark there for your 30 day reporting requirements, and then it starts, on a first end, first out basis, assigning disbursements to that drawdown. So it tells you when you substituted those funds. So, if you see a zero there and it's not full substantiated, then you know that you're out of compliance.

Okay. Some common disbursement discrepancies are unspent and acknowledged disbursements, rejected disbursements. That's probably some of the more common ones, disbursements not entered into your system that are pending disbursements. Maybe you've made actual disbursements but you haven't changed that flag that's in your system. I don't know if you're aware that you have a flag. It's called the disbursement release indicator. When it's an anticipated disbursement, that's at a false status. When it's at an actual disbursement, that's at a true status, and you may not see it in your system depending on how your system is set up, but COD – when your file is sent, that field is sent to them to tell them.

So, if you've got disbursements sitting on your system that actually should be actual disbursements then you're going to want to look at those and get those to COD. Maybe you have records in the business office that aren't in the actual financial aid system. That's that internal reconciliation. You may have unbooked disbursements, and those occur when you have future data disbursements that haven't occurred by the time your school account statement came out.

So we base that on your disbursement date. Once your disbursement date has passed then we book that disbursement, and it will show up and be calculated into your ending cash balance. Another discrepancy we sometimes see is data loss. Hopefully we don't see that too many times, but if we do, we have a rebuild function, and you can talk to your CSR to get that, and they can rebuild – help you rebuild your system based on the data that they have received from you. And they can do that on a record by record basis or for your whole system.

Okay. Disbursement reports and tools, some of the things that will be helpful are some of the COD website screens, and that's the school summary financial information screen that we talked about that also shows total disbursement. So you can use that. There's an action queue screen. How many of you have used that action queue screen? Great. That's probably one of my favorite things to use when I help schools is I can go in there, and I go into the action

queue. And it's a link on that left hand side when you hit "School" and then it's right there. Just click on "Action Queue."

But anyway, that can help you identify any disbursements – anticipated disbursements that should have been actual disbursements. So it's kind of like a pending disbursement list, and it's updated daily. Then there's also the batch search. So you can use that to identify whether your batch made it to COD or if you haven't pulled in the acknowledgements.

And then there's also COD reports. There's the actual disbursement list which is a new report, and I'm going to talk about that in more detail and then there's the pending disbursement list which is a lot like the action queue. But that's sent to you weekly, or you can get it on the COD website, and it shows any pending disbursements that you have, and it's year specific. And so you can use that to identify disbursements that should be actual or any disbursements that should be made inactive.

All right. Our new report – and we're excited about this one. This is your actual disbursement list. This is new for '11 – '12 and forward. It displays booked, unbooked and disbursements and adjustments. It's generated every Saturday, and it has a reporting period of Saturday through Friday. So it basically gives you a week's worth of actual disbursements that we have accepted at COD. You can get it through your news box in CSV format, or you can get it through your SAIG mailbox through a comma delimited.

And you can use that to compare against your schools actuals, and one of the suggestions that I have for you is you can pull that weekly report into Excel and then you can take every week and just keep adding to that report. So, by the time you're done, you would have almost a year to date report, and another thing you can do with this report is you can use it to help monitor your 30 day reporting requirement because it has your disbursement date and then the post date of when it was posted at COD. So you can make a column in Excel and calculate how many days it took from your disbursement date to your post date to – for your disbursements to get accepted at COD. So that can help you monitor that 30 day reporting requirement.

Okay. Documenting your monthly reconciliation. This is my last thing before I turn it over to Allison, and it's your final step of your reconciliation. To – it's to show that you indeed did do your monthly reconciliation and that you have identified and resolved

any issues, and it also helps you record any reasons for your ending cash balance.

Now we don't care what format you use to document your reconciliation efforts. We just care that you do that. You don't need to send it to us. We don't need to see it, but you'll want to keep for your records because, during a program review or an audit, they may ask you to see that documentation as proof of your reconciliation efforts.

Okay. That's it for me. Now Allison is going to take you to the next step – next and final step, the finish line, and that's closeout.

Allison Richards:

Thanks, Tracy. For that informative overview of both daily processing and the monthly reconciliation process. Let's look at the definition of program year closeout. This is the process by which schools complete processing at the end of your direct loan award year. It should be an extension of your monthly reconciliation process which means it really should be just another month of reconciliation that brings your school to your final zero balance.

Remember Tracy mentioned that funds are program and year-specific so when you start your award year you're at zero and you wanna make sure that you're ending your award-year processing at zero. When should closeout be completed? It should follow your final disbursements for the award year or your latest award end-date if you're disbursements are being made up through that latest award end-date. The latest award end-date is something that you definitely wanna keep in mind you will be notified of it several times through some system-generated correspondence from COD throughout your closeout process. Your latest award end-date helps determine, in COD, when we think your school should be ready to begin closing out an award year and it's based on the data that you are reporting to the COD system in your award records.

Closeout should be completed no later than the end of July of the year following the end of the award year so your next closeout deadline will be coming up July 31st of 2012 for the 2010/2011 award year. Now you may notice there's an asterisk on the slide and it mentions that certain exceptions may apply. We've had many questions from schools about the fact that direct loans, some schools do use borrow-based award years and they may have award years and they may have award years that extend past that final closeout deadline but you should be able to closeout shortly after your final disbursements or your latest award end-date for the

year and we'll talk about that a little bit more later in the presentation. What happens before the closeout deadline? Schools are notified of the various closeout requirements through several different formats. We issue a series of electronic announcements on the IFAP website for schools as reminders of the pending closeout process.

For 910 we published 3 of those starting on February 7th, May 20th and July 7th of 2011 and you can look for upcoming guidance on the 2010/2011 closeout year beginning in January or February of 2012. We also issue a series of COD system-generated closeout correspondence that is sent, via email, to your schools, except in the case where there is no valid email address on file in COD, in which case we will generate hard copy letters. Most of you should have valid email addresses on file. If you aren't sure whether you do, you can log in to COD and look up your school contact information for your financial aid administrator and other staff at the school, your business office, your president. If you need to update that information, you can go to the eligcert.ed.gov website and there are instructions on the COD homepage that will walk you through that if you need to access that site to make updates. You can also view your COD system-generated closeout correspondence on the website and I'm gonna show you that shortly. So let's look at some pre-closeout correspondents. The system-generated letters, the most common, that most schools will see are the zero-balance letter or remaining balance letter emails. These are sent by email after the end of the month. Once your school has passed that latest award end-date, as recorded in the COD system plus 30 days, okay? So until you've passed your latest award end-date, COD won't generate those letters.

We wait until that point to ensure that your school is most likely ready to begin your closeout process. The Zero Balance letter and remaining balance letter email will include information on your school's balance, what your latest award end-date is, as recorded in COD, and in the case of the Zero Balance letter, we will include instructions for confirming closeout on the COD website. The remaining balance letter gives you additional information on where to look for you balances to hopefully resolve those balances in a timely manner. Another system-generated letter that is sent to schools is the notification warning letter. This is sent as a reminder sent in May before the program year closeout deadlines so for 1011 you would be receiving this in May of 2012.

It goes out to schools that have not yet confirmed closeout as an additional reminder that the closeout deadline is coming up and

that you should be completing your closeout processes. It's sent to both the president and the financial aid administrator on record for your school and it includes, again, your current balance, the latest award end-date for your school and a reminder to closeout by the deadline. So I mentioned that you could view the system-generated correspondence on the COD website if, for some reasons, you've misplaced your email or maybe you're in the financial aid office but you're not the financial aid administrator of record and you wanna see what that correspondence has to say, you can access it on the school correspondence screen through the COD website. So you'd log in to COD, cod.ed.gov, go the school menu and then, on the left-hand side you would select the correspondence link. Then there's a Radio button next to the individual correspondence type that you would want to view and it's a radio button labeled "View," you'd click on that and choose, "View Letter."

At that point it would bring up that piece of correspondence, in this case, the Zero Balance letter. I realize those of you in the audience probably can't read this but, again, it does include information about your school's balances, your latest award end-date and it gives instructions as to how to confirm closeout for the year. So how do you complete the closeout process? First you have to achieve that zero balance and, at that point, you need to be sure that you've fully reconciled to a final school account statement showing that zero balance and that those records match your own. At that point after the end of the month – remember it would be the latest award end-date plus 30 days – the following month after that, you would receive a Zero Balance letter email for your school with instructions as to how to closeout and, at that point, you can go in and complete the Balance Confirmation form online. So let's look at that process. Here is the School Balance Confirmation screen.

It's accessible from the School menu and then, on the left-hand side, there's a Balance Confirmation link and you can see, at the top of the screen, it gives you some information about the current balance for your school and then, if you scroll down, there is a section where you can enter your Current School Ending Cash Balance. If you're ready to confirm that should be zero and the end-date of that school balance and then you click on the "I Agree" button. If your confirmation is successful, if the system shows that your school is still at a zero balance, it will give you an "Update Success" letting you know that the process is complete. So great, what happens next, what does this all mean? After you've successfully confirmed closeout in the system, COD will generate

a Program Year Closeout letter. This is a piece of correspondence that you may want to save in your reconciliation records as documentation that you have completed the closeout process.

This letter goes to both the financial aid administrator and the school president via email or hard copy if we don't have your email on file. The system also reduces funding to net draw downs and payments and the system will reject any additional data submitted through Common Record Batch or the web for the Direct Loan program in that specific award year. What are the benefits of confirming closeout? Well, as I mentioned, the Program Year Closeout letter will document your closeout completion and you'll have that piece of paper as an audit trail paper if you've printed it off or electronic as you save it that way so that you can show that you completed closeout process and on what date. The reduction of CFL of your current funding level will prevent draw downs from being requested in a closeout year.

Also award-year-specific data is prevented from processing in COD. So what if your balance changes after closing out and you may ask, "Well how can that happen? The system's reducing my CFL and it's rejecting any additional common-record data? This can happen for your school if you were to go into G5 and, say, make a refund of cash or a draw down adjustment out of the closed year. We don't want to prevent your school from making a refund of cash that may be necessary even though the year is closed because that could put you in violation of the cash management requirements, okay, so we will allow those to happen and they will flow through to COD.

When this happens it changes your balance. You will no longer be at zero. So we wanna make sure that you're aware of that change. The COD system will generate a Change In Zero Balance letter and send that via email to your school to notify you. The system will also generate an updated School Accounts Statement at the end of the reported month so that you have a record of the new transactions, okay, and at that point you must request to be reopened for the year. It's important that you do this so that you can complete any final processing. If it was an error and the refund should have been done in a year you can make that change in G5 but if you have additional downward adjustments to report along with that refund of cash you need to have the year reopened so that you can get that data into COD. So what if I just find out that I now have additional records to report to COD and I've already confirmed closeout?

At that point – and it's before the closeout deadline – you can request at any time to have the year reopened for that award year. To do that you can contact COD School Relations at their email address and make sure that you include both your school name, your school ID, the award year that you need to be reopened and the reason for your request. At that point once your school has been reopened you will receive a Reopen Letter notifying you that you are, again, reopened and you can continue processing just as you could before you confirm the closeout process. So it's important. This is unlimited until the closeout deadline.

If you've been reopened you need to remember when you're done you're gonna want to reclose again. So what happens after the closeout deadline? We've talked a lot about before the closeout deadline but after the closeout deadline, the COD system is going to closeout the award year for all remaining schools. So system reduces funding to net draws for the remaining schools, rejects any award-year-specific awards and disbursements and discontinues year-specific reports, including the School Accounts statement. Now at that point we also issue a final **SAS** for all schools that processed in that award year so that you have that final record of your balance.

Can you confirm closeout after the deadline? Yes, absolutely. We encourage the schools to closeout, as I said, as close as possible to your latest award end-date or your final disbursements of the award year and the process is going to be the same but pre and post-closeout deadline. So what if you need to process additional data after the deadline? Extended processing is what we call the period after the closeout deadline if the school is authorized on a limited to process additional data for the award year.

Now I mentioned an exception earlier for schools with latest award end-dates that extend past the deadline. Those extensions will be granted upon request, based on when your latest award end-date falls but you may have another reason to request extended processing. Maybe you have a late disbursement to report or you have – you've found a return of Title 4 Aid calculation that needs to be completed and you need to report a downward adjustment. At that point you'd need to contact COD School Relations at the number or the email address listed here. These are exception-based, case-by-case approval and generally for a limited time period, as I said, in most cases schools are requesting extended processing because they have one or two transactions they need to report, they need to update an R2T4, do a downward adjustment and do a refund-of-cash so, normally, these last around 7 business

days but if you do fall into the category of needing additional time, you can include that information in your request along with your justification of why you need that additional time and what you're trying to process, okay?

In your request please be specific. We do look at these fairly closely just to make sure that schools have closed out timely and, like I said, maybe just an exception that needs to be completed so we do need you to be specific in your requests but, please, don't include any Privacy Act data or any student-specific data, such as name, date-of-birth, Social Security number, in your request unless you've encrypted it but in most cases we don't need that level of data. We just need your justification for what you're trying to do. So what if you do not resolve your ending cash balance and you've past the closeout deadline, you're well past your latest award end-date and you're not on extended processing. This only happens in very limited cases. We may have a few schools that are unable to completely closeout with the timeframes given.

In that case if your school had a positive balance, you would receive a Final Demand letter, which would inform your school that you had 30 days to correct your balance or repay the amount. If you have a negative balance, which is when your disbursements are greater than your draw downs then you would receive a Negative Balance letter informing you of that balance and the steps that you can take to perform your final reconciliation. Any remaining positive balances after the 30-day period on the Final Demand letter would result in a final liability for your school. Hopefully none of you will ever experience this but, in limited cases, it can occur and we just want you to be aware of what the consequences can be. Most schools have closed out well before the closeout deadline every year. Let's look at some additional information that will help you stay on-track. This is a list of some good reference materials Tracy mentioned several of these earlier in the presentation but here's the list so you don't have to have recorded it. The Direct Loan School Guide Chapter 6 is a good resource for reconciliation information, the FSA Handbook Volume 4 and several sections of the COD Technical Reference can be really helpful both in your daily processing and your reconciliation and closeout.

Here are some additional resources, COD Resources and Tools, COD School Relations and Customer Service, Staff, Tracy mentioned your **recoordinators** or specialists and they can help you with both Issue Identification and Resolution, they issue weekly school monitoring emails that help you manage your school, any

unsubstantiated cash or late reporting of disbursement data and they have some limited *ad hoc* reports that may supplement the COD system-generated reports that are already pushed to your schools. COD website is an excellent resource and we don't have listed here but if you need assistance with G5 you can go to the G5 website or call their Customer Service Hotline. Here is our contact information. If you have very detailed or specific questions through your school, you can also come visit me, Tracy or some of my staff or you can visit with the COD Customer Service representatives and Recon Staff in the COD PC Lab in Room 301 and 302. At this point I'd like to open up the floor to any questions.

Again there are mics here in the aisle at the front and there's one in the center, closer to the back. If you would stand up and come to one mics so that everybody can hear your question, we would appreciate it.

Audience:

This is more of a suggestion for COD. Some of your processes at cost a nightmare for reconciliation at our school. The Financial Aid Office considers the loan booked once we receive the acknowledgement from COD. Business office is not paying any loans until the Booking Notification is sent by COD. We have brought this up to the attention fo COD before so a suggestion is to have the Booking Notification along with the Booked Notice to send to the school so we don't run into discrepancy when we're trying to do Reconciliation because in my end at the Financial Aid Office I'm also _____ ready to authorize the money.

The Business Office has not paid on any loans that I am booked and we called COD on the issue and COD mentioned that the Booking Notifications are not sent to the school until after the disbursement, which creates a discrepancy. We've been told that the booking of the loans or Booking Notification is once they have an MPN and a Regeneration Record and a Disbursement Record and if all those three things are true then we should be getting Booking Notifications but that's not the case.

Allison Richards:

Okay I mean need to get some details from you about your specific situation. I will say that the Booking Notification does indeed go out to schools after COD has accepted the Origination Record the actual Disbursement with DRI equal to true and the MPN is linked to that loan. We need all those three pieces before the Booking Notification goes. It only goes out once-per-loan. You don't get a subsequent Booking Notification on additional disbursement data so I want to be clear on that as well but [*crosstalk*] –

Audience: Right so if you have – let me just give a quick example. If I have a loan to be disbursed December 5th to go to _____, you don't get the Book Notification until after December 5th for example, which creates a nightmare for Reconciliation and we've already had already – you know what I mean?

Allison Richards: Mmm-hmm. I think I see what you're saying. You must report future data disbursements? Is that correct?

Audience: We do, yes.

Allison Richards: Future-dated so if you sent today a disbursement that is scheduled for December 5th, your disbursement date is December 5th; it will not book and be sent to a servicer until December 5th, so the Booking Notification won't go out until December 5th.

Audience: Exactly and that's the problem because we were told that as soon as you have those three elements, the loan is considered booked and you would get a notification.

Allison Richards: What you do get as soon as we get that Disbursement Transaction and accept it is an accepted response to show that we've accepted the disbursement and because we require MPN's and origination records to be on file either before or at the same time as that actual disbursement. That tells you that that disbursement is good and it's on the COD system. The Booking Notification is meant to inform the school when COD can now send that over to the servicer, that loan to the servicer and we can't send those disbursements until they actually occur. They don't book until they actually occur but you may be able to use the disbursement acknowledgement of Accepted in the same way that you've been that Booking Notification to assist you with your process.

Audience: Is there an example where it would not be booked and we would go ahead and request funds?

Allison Richards: Well as I said it won't book until the disbursement actually occurs on your actual disbursement date but as soon as you get the accepted response for you school because we require those other two pieces – the MPN and the award first or at the same time as the actual disbursement, once you get the accepted acknowledgment on your disbursement that should tell you that it's a good disbursement, COD has it and it will book on the disbursement date.

Audience: But do you see how the Reconciliation [*crosstalk*] --?

Allison Richards: I do. I see the timing difference that you're talking about.

Tracy Lardinois: Okay. Is there another question?

Audience: Hi Allison. I have a question. I have question. I actually work in the Bursar's Office. I'm in charge of the Reconciliation Process and our cash balance right now for the 2010/2011 award year is zero.

I haven't done the closeout process for 2 reasons. Number 1 is we are no longer disbursing on the '10/'11 aid year but due to the regulations that were mandated to return funds for still-dated checks, I'm waiting for 6 months after the last disbursement because, in most cases, students get refunds when those disbursements go on the account. So my first question would be should I go ahead and closeout the award year after that 6-month period and then the second question is the second reason I haven't closed out yet is we've had a few students, not many, who, when financial aid disbursed money on the students' account, they went out and looked at the NSLDS and, at that time, they did the award based on that information. They found out later that they were notified that money needed to be returned because the student was over their aggregate limit. If we receive one of those after I do the closeout and I have to reopen, do you have to go through the closeout process again or do you only do that one time?

Allison Richards: Okay let's start with your first question, which is about the fact that your school is waiting six months after your final disbursements to ensure that you've dealt with any still-dated checks, correct?

Audience: Yes.

Allison Richards: Okay. We really encourage schools to closeout as soon as possible, after their final disbursements, but we're well-aware of the fact that, due to internal processes and some of the various regulatory requirements, including around still-dated checks, around the 180 days that a student can come back and re-enroll at the school and pick up with their loan period where they left off that there may be reasons that a school will need to process again. However if you confirm closeout, you can request to be reopened again at any time prior to the closeout deadline and it's a fairly simple process. We are able to process those generally within one

business day and then you can report whatever you need to report at that point.

Audience: Because we have had a zero balance for a while but we do have the still-dated checks probably maybe once or twice a month so should I still close out or should I? I think it'll be January that I was planning on closing out because it will be six months after our last disbursement. Should I go ahead and close now or should I go ahead and wait 'til we've reached that six-month period?

Allison Richards: Once you've reached zero and as far as you know your school is ready closeout, as I said, we encourage you to close out. We don't require you to confirm closeout. If you know you're likely because of your normal processing you know you're gonna have additional data to report, that's fine. I would advise you to make sure you've completed that reconciliation to zero, documented why you're waiting the additional period and then make sure when you do report additional data completing your monthly reconciliation and preparing for the closeout process.

Audience: Okay then my second question was if we – whether it's still-dated or it's one of the student-over-the-aggregate-limit, whatever the reason being that we have to refund cash, do you only go through the closeout process once? Once you reopen do you have to go through that closeout process every time?

Allison Richards: You would in order to get a new closeout – Program Year Closeout letter – in order to ensure that your CFL has been reduced and that no further data will be processed into the COD system for that award year so then you would go in and follow the same confirmation process that you had earlier to reconfirm.

Audience: Okay. Thank you.

Audience: All right. This might be relatively simple but one of the reports that might be available on COD that I might not be aware of is Rejected Disbursements. I didn't see that listed that we sent a disbursement but it was rejected and those are the ones that really cause us problems later on when we didn't know they were rejected. Is there a report in COD that we can reject the disbursements?

Allison Richards: There isn't a report in COD where you can view rejected disbursements but you can use the Batch Search function to look up individual batches for rejects. What you're going to need is a

report on your own system that lets you find disbursements that are not in an accepted status.

Audience: Well I would suggest that COD look into getting that because you already have it listed as rejected on your end that we guess a whole lot for the rejected disbursements.

Allison Richards: I understand what you're saying. Once COD has rejected disbursements, they're not stored in the same way as accepted disbursements but I understand where you're coming from and we will note that down.

Audience: Just add another column, "Rejected" start on that word.

Tracy Lardinois: I got it. *[Laughter]*

Audience: Okay.

Allison Richards: We got it.

Tracy Lardinois: Thank you.

Allison Richards: Thank you.

Audience: So if after you close out the program year and you do have a check that has to go back, a student gives back a refund, like that lady was talking about earlier or someone's over their aggregate limit, instead of reopening that year, I'm wondering can you just do reaffirmation for that over award and for that maybe the Bursar's Office needs to return, can you send that directly back to the servicer or does it have to be reopened and go through the processing that way?

Allison Richards: To get the greatest benefit for your borrowers we do ask that you reopen the year, submit the downward adjustment and do the refund of cash and the reason is that that data then processes through our systems to the servicer and the borrower can be forgiven for any interest for fees related to that amount back to the original disbursement date.

Audience: Okay so a refund that needs to go back would be able to go back unconsummated if we opened up the award year again? Cool but for an over award would be all right to do reaffirmation or would it be more appropriate open out the award year?

Allison Richards: If the over award that you've determined needs to be returned as a result of a regulatory requirement we do ask that you do the downward adjustment and submit the refund of cash.

Audience: Okay, as long as you discover these things before that July or is it the end of June kinda drop-dead date?

Allison Richards: You can actually request extended processing based on that information that you do have a disbursement adjustment to report due to a regulatory requirement and explain which one it is and extended processing can be granted to ensure that you can report that through the COD system.

Audience: Okay.

Allison Richards: Okay and that's true as long as the data is in COD. The process changes a little bit once data has been removed or archived from the COD system but you can always contact your COD School Relations, a Customer Service rep, and they will guide you through the correct process.

Audience: Okay so if it's '13/'14 and we find something, God forbid, from '10/'11, then the situation might be a little different and we should call first? Okay.

Allison Richards: Right. The older years are a little bit different process so you might need additional guidance on that.

Audience: Okay, thank you.

Allison Richards: And you can also contact my team, the School Reconciliation team at schoolreconciliation@ed.gov for guidance as well.

Audience: Thanks.

Allison Richards: Okay. I think we have time for maybe one more question over here?

Audience: Yes. I noticed with our '10/'11 year that yearly totals with COD website does not match the total disbursement amounts that's listed on the COD website and I was wondering should they match?

Allison Richards: Are you – you're talking about the yearly total screen?

Audience: Yes.

Allison Richards: And that's not matching disbursements on --?

Audience: The total book disbursements or the school [*crosstalk*] – yes.

Allison Richards: Your yearly totals are at the gross amount for direct loans so when we talk about ending cash balance, when we talk about net-accepted and posted disbursements or book disbursements in COD that's always at the net amount, the net amount that the student received so you will see differences in those totals based on gross versus net.

Audience: Okay, thank you.

Allison Richards: Okay? Well thank you all very much for coming. You've been a great audience and please come see us in the PC Lab if you have any specific or more detailed questions. Thank you. [*Applause*]

Tracy Lardinois: Thank you.