DOCUMENT RESUME

ED 392 373 HE 028 973

TITLE	The Blue Book: Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs.
INSTITUTION	Office of Postsecondary Education (ED), Washington, DC..
PUB DATE	Jul 95
NOTE	402p.
PUB TYPE	Guides - Non-Classroom Use (055)
EDRS PRICE	MF01/PC17 Plus Postage.
DESCRIPTORS	*Accounting; Colleges; Community Colleges; *Compliance (Legal); Educational Finance; Federal Programs; *Federal Regulation; *Government School Relationship; Higher Education; Legal Responsibility; Postsecondary Education; Program Administration; Program Descriptions; Proprietary Schools; Recordkeeping; *School Responsibility; Student Financial Aid
IDENTIFIERS	Accounting Systems; *Higher Education Act Title IV

ABSTRACT

This volume provides general information on programs, policies, procedures, and fiscal record keeping and reporting for federally funded student financial aid programs under the Higher Education Act of 1965, Title IV. Chapter 1 provides an overview of Title IV programs. Chapter 2 discusses general institutional responsibilities related to managing Title IV programs. Chapter 3 addresses key fiscal procedures unique to managing Title IV campus-based programs. Chapter 4 provides a comprehensive discussion of obtaining, managing, and returning Title IV funds. Chapter 5 describes specific accounting procedures used to manage Title IV program funds. Chapter 6 addresses Title IV reporting requirements. Appendixes supplementing the main chapters include: a comprehensive glossary of terms related to Title IV accounting, record keeping, and reporting requirements; a list of commonly used acronyms; a list of published information sources that supplement and support the book's information; information for fiscal officers on who to contact for technical assistance; detailed descriptions of each Title IV program; and a primer on accounting for non-Title IV specialists, designed to help novice fiscal officers understand how basic accounting principles apply in managing Title IV program funds. (JB)

ED 392 373

July 1995

Accounting Recordkeeping and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs

HE028973

The blue book

U.S. Department of Education • Office of Postsecondary Education
Student Financial Assistance Programs • Washington, DC 20202

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

11/6/95

OCTOBER 1995

Student Financial
Assistance Programs

GEN-95-47

SUBJECT: Availability of *The Blue Book*

Dear Colleague:

We are pleased to provide the 1995 edition of *The Blue Book: Accounting, Recordkeeping, and Reporting By Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs.* This edition replaces the May 6, 1991 version of *The Blue Book.*

The primary purpose of *The Blue Book* is to provide guidance to school business office personnel who handle fiscal record keeping, accounting, and reporting functions for Title IV financial aid programs. However, it also provides general information about Title IV programs, policies, and procedures that will be useful to other institutional personnel involved in administering and managing Title IV programs.

The U.S. Department of Education has scheduled a series of two-day workshops on the use of *The Blue Book* for fiscal officers beginning in October 1995. We encourage the fiscal office staff at your institution to attend one of the workshops. Dear Colleague Letter GEN-95-32, announcing dates, sites, and registration procedures for the workshops, was sent to institutions in June 1995.

Two copies of *The Blue Book* will be mailed to each Title IV participating institution -- one to the fiscal officer and one to the financial aid administrator. If you do not need one of these two copies, please forward a copy to your independent public accountant. Should you need an additional copy for your auditor, president or chief executive officer, controller, or financial aid consultant, you may request a copy from us. You can do so by contacting the Federal Student Aid Information Center, P.O. Box 84, Washington, D.C. 20044 or telephone 1 (800) 4 FED AID (433-3243) 9:00 a.m. - 8:00 p.m., Monday - Friday, Eastern Time.

Your comments and suggestions regarding any aspect of *The Blue Book* are welcome. We are interested in learning 1) the purposes for which *The Blue Book* is being used, i.e., reference, self-study, training new staff; 2) if you use the accounting and recordkeeping system referenced; and 3) the appropriateness of the content and the usefulness of the appendices.

400 MARYLAND AVE., S.W. WASHINGTON, D.C. 20202

You may send your comments to *The Blue Book,* Student Financial Assistance Programs, Training and Program Information Division, Training Branch, Room 3030, ROB-3, 600 Independence Ave., S.W., Washington, D.C. 20202.

We hope you will find the revised publication useful and appreciate any comments or suggestions you can give us.

Sincerely,

William J. Ryan

William J. Ryan, Acting Director
Training and Program Information Division
Student Financial Assistance Programs

THE BLUE BOOK

Accounting, Recordkeeping, and Reporting by Postsecondary Educational Institutions for Federally Funded Student Financial Aid Programs

The technical information in this manual
is based on laws, regulations, policies,
and procedures published as of:

December 1, 1994

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Introduction

Executive Summary

The purpose of this section is to acquaint readers with *The Blue Book*—its purpose, content, and format—so that they can make the best possible use of *The Blue Book* as a resource tool.

Key Terms

The Blue Book
executive summary
The Federal Student Financial Aid Handbook
information mapping
key term
margin note
Recipient's Guide

Purpose of *The Blue Book*

The primary purpose of *The Blue Book* is to provide guidance to school business office personnel who handle fiscal recordkeeping, accounting, and reporting functions for Title IV financial aid programs. However, it also provides general information about Title IV programs, policies, and procedures that will be useful to other institutional personnel involved in administering and managing Title IV programs.

School responsibility

When an institution signs a Title IV Program Participation Agreement (PPA), it accepts responsibility for various accounting, recordkeeping, and reporting responsibilities related to Title IV programs. Some procedures discussed in *The Blue Book* are recommended ones that will help an institution meet these fiscal responsibilities, while other procedures are required by federal laws and regulations.

Manual and automated systems

The procedures outlined in *The Blue Book* can be used by small or large institutions and by institutions that use manual and/or automated systems to manage fiscal operations. However, given that many postsecondary institutions, as well as the U.S. Department of Education (ED), have moved into the "information age," this edition of *The Blue Book* gives special emphasis to electronic management of Title IV programs. ED now requires that schools use automated methods to meet certain Title IV reporting requirements, such as for the Fiscal Operations Report and Application to

Participate (FISAP). Other required reports, such as Federal Pell Grant payment reports, will soon be fully automated as well.

ED training programs

ED encourages schools that have not yet automated their fiscal and financial aid operations to do so in the near future. ED offers training for many of the electronic systems and programs it administers, such as the Electronic Data Exchange (EDE) and the software that supports the William D. Ford Federal Direct Loan Program; schools should take advantage of these training opportunities as they arise. Notices of ED-provided classroom training programs and videoconferences are sent to school financial aid offices and fiscal offices on a regular basis.

The goals of any information-management system, be it manual or automated, are to maintain accurate, well-organized records; submit required reports in an accurate and timely manner; comply with federal laws and regulations; and provide quality service to students. *The Blue Book* is designed to help schools achieve these goals.

Contents of *The Blue Book*

The Blue Book may be used by both novice and experienced fiscal officers. It is recognized that the level of expertise of school personnel using the book will vary with their knowledge of accounting and Title IV programs. For this reason, *The Blue Book* provides a basic overview of Title IV programs, institutional responsibilities, and general fiscal procedures, as well as detailed information on accounting functions, cash management, and reporting requirements. The flowchart on page 6 summarizes the contents of *The Blue Book*.

Chapter summaries

Chapter 1 provides an overview of Title IV programs. It begins with a discussion of Title IV of the Higher Education Act of 1965, as amended (HEA) and related issues, then summarizes each Title IV program. Chapter 1 also addresses the fiscal calendar and defines related terms such as "academic year" and "award year."

Chapter 2 discusses general institutional responsibilities related to managing Title IV programs. It includes topics such as financial responsibility, administrative capability, responsibilities of school offices, information disclosure requirements, refunds and repayments, and record maintenance and retention.

Chapter 3 addresses fiscal procedures unique to managing Title IV campus-based programs. It explains how schools apply for and receive campus-based funds, how they may use these funds, and how they must manage them.

Chapter 4 provides a comprehensive discussion of obtaining, managing, and returning Title IV funds. It deals with much of the day-to-day work of the fiscal office. Its topics include projecting cash needs, drawing down funds, and disbursing funds to students. In addition, this chapter covers much of the information contained in the comprehensive cash management regulations issued in December 1994 that became effective July 1995.

Chapter 5 describes specific accounting procedures used to manage Title IV program funds. The chapter uses a fund accounting approach to explain how schools should establish, maintain, and reconcile Title IV program accounts.

Chapter 6 addresses Title IV reporting requirements. It begins with a discussion of specific reports required by non-campus-based Title IV programs, then gives an overview of the FISAP (the report schools use to apply for and report on Title IV campus-based funds). The Department of Education Payment Management System (ED/PMS) is also covered, and the chapter closes with a discussion of audits and program reviews.

Appendices

The appendices are designed to supplement the information presented in the main chapters of *The Blue Book*:

- Appendix A is a comprehensive glossary of terms related to Title IV accounting, recordkeeping, and reporting requirements.
- Appendix B provides a list of commonly used acronyms.
- Appendix C lists published information sources that supplement and support the information provided in *The Blue Book*.
- Appendix D tells fiscal officers who to contact for technical assistance.

- Appendix E provides detailed descriptions of each Title IV program—how students apply for funds, how awards are determined, and how funds are disbursed.

- Appendix F is an "accounting primer" for non-Title-IV specialists, designed to help novice fiscal officers understand how basic accounting principles apply in managing Title IV program funds.

Format of *The Blue Book*

The format of this edition of *The Blue Book* was conceived with a single goal in mind—to make *The Blue Book* a user-friendly publication. The book is designed so that section headings stand out, and information mapping (margin notes) helps readers locate topics of interest.

Each chapter begins with an Executive Summary that gives an overview of the chapter. It is followed by a list of Key Terms covered in the chapter. Readers can use these devices to help determine if a particular chapter contains the reference information they need. In addition, margin notes help lead readers directly to needed information. Ample white space is provided in the outer margins of pages so readers can make notes or record questions.

All forms, charts, tables, and other samples are located at the ends of the chapters where they are discussed. This organization simplifies finding a form or chart needed only for reference.

The Blue Book has been designed as a loose-leaf publication so that users can add their own related information, such as institutional policies and forms.

Using *The Blue Book* at Your School

The Blue Book can perform a number of different functions for a school. For example, it can:

- be used as a training guide for new employees,

- serve as a reference manual, and

- form the basis for a school's fiscal policies and procedures manual.

Regardless of the way(s) in which schools use *The Blue Book*, they must remember that it is only a guide and does not replace federal laws, regulations, or generally accepted accounting principles (GAAP). School personnel are still responsible for familiarizing themselves with all relevant primary source documents.

Other Resources

The Federal Student Financial Aid Handbook

The Blue Book's companion publication is *The Federal Student Financial Aid Handbook* (the Handbook); it is referenced frequently throughout *The Blue Book*. The Handbook is published by ED each year, and the new edition is mailed to school financial aid offices each June or July. Fiscal office personnel should know where to locate their school's copy of the Handbook, and they might want to copy pertinent sections for their own use.

Recipient's Guide

Another ED publication that is vital to the work of a fiscal officer is the Department of Education Payment Management System (ED/PMS) *Recipient's Guide* (the most recent edition was published October 1993), which provides information on systems operations and procedures for federal funds paid to schools through ED/PMS.* The *Recipient's Guide* helps schools understand their responsibilities in expediting payments, completing forms and reports, and controlling federal cash received through ED/PMS.

*Please note that after the October 1993 edition of the *Recipient's Guide* was published, ED issued replacement pages for Chapter 3 and a new appendix on the Automated FEDWIRE System (Appendix H3).

These and other publications and printed materials of interest to fiscal officers, and information on how to order them, are listed in Appendix C, "Key Resources," of this book.

Effective Date

This edition of *The Blue Book* is written on the basis of laws, regulations, policies, and procedures enacted, issued, or published by December 1, 1994 and effective for the 1995-96 award year.

Schools should be aware, however, that laws, regulations, policies, and procedures are subject to change. It is a school's responsibility to keep abreast of such changes so that it remains in compliance with current rules.

Overview of *The Blue Book*

The Blue Book

Chapter 1:

- Overview
- Related issues
- Summary of Title IV programs

Chapter 2:

- Responsibilities related to managing Title IV programs

Chapter 3:

- Campus-based programs
- Procedures to manage campus-based funds

Chapter 4:

- Obtaining and returning Title IV funds
- Cash mangement

Chapter 5:

- Accounting procedures for Title IV program funds

Chapter 6

- Title IV reporting requirements
- ED/PMS
- Audits and program reviews

Chapter 1: Student Financial Aid Programs

Executive Summary

This chapter provides an overview of federally funded student financial aid programs. The chapter begins with a discussion of Title IV of the Higher Education Act, the legislation that created many of these federal programs. The chapter also discusses an institutional fiscal year and explains the terms "academic year" and "award year."

Key Terms

academic year
award year
campus-based programs
Code of Federal Regulations (CFR)
delivery system
Expected Family Contribution (EFC)
federal master calendar
Federal Pell Grant Program
Federal Register
Free Application for Federal Student Aid (FAFSA)
gift aid
Higher Education Act (HEA)
reauthorization
self-help aid
Title IV programs

1.1 Title IV of the Higher Education Act of 1965

Title IV of the Higher Education Act of 1965, as amended (HEA), authorizes the Federal Pell Grant, William D. Ford Federal Direct Loan, Federal Family Education Loan (FFEL), Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan Programs, which are collectively known as Title IV programs. These programs are administered by the U.S. Department of Education (ED) and provide financial assistance to eligible students enrolled in eligible postsecondary programs of study. Title IV programs are governed both by law (the HEA) and by regulations that ED implements.

Reauthorizing/amending the Higher Education Act

Approximately every six years, Congress reviews the Title IV programs to ensure that they are serving the purposes for which they were intended. After reviewing the programs, Congress decides whether to reauthorize them (that is, allow the programs to continue) and, if so, what changes should be made to ensure that the programs continue to serve students properly and efficiently. Congress makes any necessary changes through amendments to the HEA. However, aspects of Title IV programs can be changed at any time through amendments or through changes ED makes in regulations. It is important to note that Title IV regulations *supplement* the HEA and cannot supersede any part of the law.

Title 34 of the CFR

Regulations affecting Title IV programs are contained in Title 34 of the *Code of Federal Regulations* (CFR). The sections of Title 34 that most frequently affect a school's administration of federal financial aid programs are found in Part 600 to the end. When regulations are issued, they are published in the *Federal Register* and distributed to postsecondary schools.

1.2 The Financial Aid Application and Delivery Systems

Expected Family Contribution (EFC)

The basic premise underlying Title IV programs is that a student and his or her parents (if the student is dependent) have the primary responsibility of paying for the student's postsecondary education. Because the programs are intended to help students with financial need, eligibility for assistance from most of the programs is need based. Congress developed an Expected Family Contribution (EFC) formula to determine the financial strength of a student's family and the student's need for Title IV assistance.

Free Application for Federal Student Aid (FAFSA)

To apply for Title IV financial aid funds, students must submit a Free Application for Federal Student Aid (FAFSA). The FAFSA is used to collect financial and other information from the student and the student's spouse (and parents of a dependent student) that is used to calculate the student's EFC. The resulting EFC is the amount of money that a student's family is expected to contribute toward the cost of the student's postsecondary education. The EFC is used in determining a student's need and the amount of aid an eligible student receives from each of these aid programs.

Delivery system

Financial aid administrators use the term "delivery system" to refer to the process by which students apply for financial aid, are awarded federal funds, and use those funds to pay the costs of attendance they incur when they enroll in eligible programs of study. The federal application processing system is illustrated in the flowchart on page 18.

Gift aid and self-help aid

Title IV programs may be categorized as either "gift aid" or "self-help aid." Gift aid consists of grants and scholarships that are given to students; it does not have to be repaid. Self-help aid takes the form of loans (which must be repaid) and employment (which pays students wages for hours worked at jobs provided on campus or off campus).

The sections that follow provide a brief overview of ED's federal financial aid programs. For more complete information, please refer to Appendix E, "Guide to U.S. Department of Education Programs" and *The Federal Student Financial Aid Handbook.*

1.3 The Campus-Based Programs

Three financial aid programs, the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan Programs, are referred to as campus-based programs because ED allocates these funds to participating institutions that then manage the programs and award funds to students on behalf of ED. The funds are awarded to eligible students by financial aid administrators in accordance with federal regulations. Students must file a FAFSA each year to apply for these funds. Each participating institution may claim an administrative cost allowance for administering the programs. (See sections 3.3 and 6.2.6.2. of this book and Chapter 5 of *The 1995-96 Federal Student Financial Aid Handbook.*)

1.3.1 Federal Supplemental Educational Opportunity Grant (FSEOG) Program

FSEOGs do not have to be repaid. These funds are for undergraduate students with financial need who have not yet received a bachelor's degree or a first professional degree. When selecting FSEOG recipients, a school must make awards first to applicants with exceptional financial need and give a priority to applicants who receive Federal Pell Grants. (See Chapter 6 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 676.)

1.3.2 Federal Work-Study (FWS) Program

The FWS Program provides jobs for undergraduate and graduate students. Jobs may be on campus or off campus. Beginning with the 1994-95 award year, a school must use at least 5 percent of its FWS allocation for an award year to pay the federal share of wages to students employed in community service jobs, unless ED approves a waiver. Students must be paid at least the federal minimum wage, and a portion of the wages is paid by the institution or off-campus employer. (See Chapter 7 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 675.)

1.3.3 Federal Perkins Loan Program

Federal Perkins Loans are low-interest (5 percent) student loans made to eligible undergraduate and graduate students by participating schools. No interest accrues on a loan while a student is enrolled in an eligible program at least half time. A student must demonstrate exceptional financial need to qualify for a Federal Perkins Loan. (See Chapter 8 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 674.)

1.4 Other Title IV Programs

Title IV programs that are not campus-based programs consist of the Federal Pell Grant Program, the William D. Ford Federal Direct Loan Program, and the Federal Family Education Loan (FFEL) Program.

The State Student Incentive Grant (SSIG) Program, the Robert C. Byrd Honors Scholarship Program, and the Presidential Access Scholarship (PAS) Program are also authorized under Title IV of the HEA and are included here for the sake of completeness. However, this book will not address them from the perspective of fiscal operations, as the Byrd Scholarship and SSIG Programs are state-administered, and the PAS Program is not currently funded by Congress.

With the exception of the Byrd Scholarship, all of these non-campus-based Title IV programs require students to file a FAFSA or Renewal FAFSA annually.

1.4.1 Federal Pell Grant Program

Federal Pell Grants are available to eligible undergraduate students who have not yet received bachelor's degrees or professional degrees, are enrolled in degree or certificate programs, and meet program eligibility requirements. Eligibility is also determined on the basis of financial need. A student's

Expected Family Contribution (EFC) is used in determining need. The EFC, along with a student's enrollment status and the length of his or her program of study, determine the amount of the student's award. Funds an eligible student receives from this program do not have to be repaid. (See Chapter 4 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 690.)

1.4.2 William D. Ford Federal Direct Loan Program

The William D. Ford Federal Direct Loan Program consists of Direct Subsidized Stafford/Ford Loans (Direct Subsidized Loans), Direct Unsubsidized Stafford/Ford Loans (Direct Unsubsidized Loans), Direct PLUS Loans (Direct PLUS Loans), and Direct Consolidation Loans. Direct Loans are made by the federal government to eligible undergraduate and graduate students and their parents through financial aid offices at participating schools. A student must be enrolled at least half time to be eligible for a loan. (See 34 CFR Part 685.)

Direct Subsidized Loans and Direct Unsubsidized Loans are made to eligible students enrolled in eligible programs of study, and Direct PLUS Loans are made to eligible parents of dependent undergraduate students who are enrolled in eligible programs of study. Borrowers are not charged interest on Direct Subsidized Loans during certain periods, such as when they are enrolled at least half time and during grace and deferment periods. Borrowers *are* charged interest on Direct Unsubsidized Loans and Direct PLUS Loans throughout the lives of the loans. ED's Direct Loan Servicing Center services all Direct Loans and collects payments from borrowers.

Interest subsidy

Because the federal government subsidizes the interest on students' Direct Subsidized Loans, students must show financial need to qualify for these loans. The loan amount is determined by the student's cost of attendance (COA), EFC, and the amount of other aid the student is receiving.

Eligibility for Direct Unsubsidized Loans and Direct PLUS Loans is not determined on the basis of financial need. All or a portion of a Direct Unsubsidized Loan or Direct PLUS Loan may replace a student's EFC.

Direct Consolidation Loan

A Federal Direct Consolidation Loan is designed to help student and parent borrowers simplify loan repayment by consolidating their federal student loans and making one payment each month. In addition, even one loan may be consolidated into a Federal Direct Consolidation Loan. This program offers more expanded repayment options and may offer lower interest rates and more deferment possibilities than other federal student loans. There are three types of Direct Consolidation Loans: subsidized, unsubsidized, and PLUS.

1.4.3 Federal Family Education Loan (FFEL) Program

The FFEL Program consists of subsidized and unsubsidized Federal Stafford Loans, Federal PLUS Loans, and FFEL Consolidation Loans; they are made by participating lending institutions, such as banks, credit unions, and the like. These loans are guaranteed by state or regional guaranty agencies and underwritten by the federal government. These loans are made to eligible undergraduate and graduate students or, in the case of Federal PLUS Loans, to the eligible parents of dependent undergraduate students who are enrolled at least half time in eligible programs. Federal Stafford Loans are made to eligible students who are enrolled at least half time in eligible programs of study.

The federal government pays the interest on subsidized Federal Stafford Loans during certain periods, such as when a borrower is enrolled in school, during a deferment, and during a borrower's grace period preceding repayment. A borrower is responsible for paying all interest on an unsubsidized Federal Stafford Loan or a Federal PLUS Loan. A borrower makes payments to his or her lender (or to a servicing agent employed by the lender), unless the lender sells the borrower's loan to a secondary market. Then the secondary market becomes the holder of the loan and the borrower makes his or her payments to the new loan holder.

Interest subsidy

Because the federal government subsidizes the interest on Federal Stafford Loans, students must show financial need to qualify for these loans. The loan amount is determined by the student's cost of attendance (COA), EFC, and the amount of other aid the student is receiving. (See Chapter 10 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 682.) Eligibility for unsubsidized Federal Stafford Loans and Federal PLUS Loans is not determined on the basis of need and can replace the EFC.

FFEL Consolidation Loan

A FFEL Consolidation Loan is designed to help student and parent borrowers consolidate several types of federal student loans with various repayment schedules into one loan. Borrowers make only one payment a month, and the interest rate may be lower than other federal student loans. There are two types of FFEL Consolidation Loans: subsidized and unsubsidized.

1.4.4 State Student Incentive Grant (SSIG) Program

The SSIG Program assists states in providing grants to eligible students who attend postsecondary schools and who have financial need. Each state receives an annual allocation of federal SSIG funds that must be matched with a certain amount of state funds.

The name of the program, amount of funds available, application procedures, and other aspects of the SSIG Program may vary from state to state. For specific information about the SSIG Program in your state, contact your state education agency. (See Chapter 9 of *The 1995-96 Federal Student Financial Aid Handbook* and 34 CFR Part 692.)

1.4.5 Robert C. Byrd Honors Scholarship Program

This program provides federal grants to states so that scholarships may be made to exceptionally able students for postsecondary study. The purpose of the program is to promote academic excellence and achievement.

Each state establishes its own application procedures for the Byrd Scholarship. For specific information about how the Byrd Scholarship Program is administered in your state, contact your state education agency.

1.4.6 Presidential Access Scholarship (PAS) Program

The PAS Program is designed to encourage students from low-income and moderate-income families to upgrade their high school course of study, graduate from high school, and attend college. Although the PAS Program is authorized under Title IV of the HEA, no funding has been allocated by Congress for the program.

1.5 Another Federal Program

In addition to the Title IV programs described above, the U.S. Department of Education administers other non-Title-IV financial aid programs for students.

This section describes a program common to many postsecondary institutions. For a complete listing, please refer to *The Federal Student Financial Aid Handbook.*

1.5.1 Paul Douglas Teacher Scholarship Program

The Douglas Scholarship Program encourages outstanding high school graduates and recent GED certificate recipients to pursue teaching careers at the preschool, elementary school, or secondary school level. Students apply for Douglas Scholarships through the state education agency in their state of legal residence.

1.6 The Fiscal Activity Calendar

Fiscal activities managed by postsecondary institutions occur at various points during the academic year, the award year, and the fiscal year. At some institutions, the academic year, the award year, and the fiscal year may be the same, while they may differ at other schools.*

* See sections 1.6.1 for academic year definition, 1.6.2 for award year definition, and 1.6.3 for fiscal year definition.

The 1992 reauthorization of the HEA established a definition of an academic year as part of the statute. In 1994, ED issued regulations to guide schools in interpreting that definition.

1.6.1 The Academic Year

Definition of an academic year

Section 481(d)(2) of the HEA states that an academic year must contain at least 30 weeks of instructional time over which a full-time undergraduate student is expected to complete 24 semester or trimester hours, 36 quarter hours, or 900 clock hours. The 30-week minimum may be reduced to less than 30 weeks, but not less than 26 weeks, if an institution can show good cause. ED may grant waivers of the 30-week requirement on a case-by-case basis and only to postsecondary institutions that offer two-year or four-year programs of study for which they award associate or baccalaureate degrees.

1.6.1.1 Term-Based Institutions

Credit hours

At a term-based institution that measures education program length in credit hours, a full-time undergraduate student must complete at least 24 semester hours or trimester hours or 36 quarter hours in an academic year.

At a term-based institution that measures education program length in clock hours, a full-time undergraduate student must complete at least 900 clock hours in an academic year.

Clock hours

For a term-based institution, a week of instructional time is defined as any consecutive seven-day period in which at least one day of regularly scheduled instruction, examinations, or preparation for examinations occurs.

Term-based week

1.6.1.2 Nonterm Institutions

A nonterm institution is one that does not divide the academic year into semesters, trimesters or quarters.

At a nonterm institution that measures educational program length in clock hours, a full-time undergraduate student is expected to complete at least 900 clock hours in an academic year.

Clock hours

At a nonterm institution that measures educational program length in credit hours, a full-time undergraduate student is expected to complete the equivalent of 24 semester or trimester hours or 36 quarter hours in an academic year.

Credit hours

Effective July 1, 1995, for a nonterm institution using either credit or clock hours, a week of instructional time is defined as any week in which at least 12 hours of regularly scheduled instruction, examinations, or preparation for examinations occurs. This new "12-hour rule" replaces the "5-day rule" that, for the 1994-95 award year, required that a week contain at least five days of instruction, examinations, or preparation for examinations.

Nonterm week

1.6.2 The Award Year

The financial aid award year is the 12-month period during which postsecondary institutions award Title IV and other federal financial aid funds to students. The award year runs from July 1 of one calendar year to June 30 of the next calendar year. For example, the 1995-96 award year begins on July 1, 1995 and ends on June 30, 1996.

For any award year, financial aid application processing begins on January 1 of the calendar year in which the award year begins; financial aid payment

Payment and processing cycles

processing ends on September 30 of the calendar year in which the award year ends. For example, for the 1995-96 award year, processing began on January 1, 1995 and ends on September 30, 1996. Immediately following the end of an award year, schools must file reports on that award year's activities.

1.6.3 The Fiscal Year

The fiscal year is defined by the institution. Examples of commonly used fiscal year periods are—

- January 1 to December 31 (the calendar year),
- July 1 to June 30 (the traditional financial aid fiscal year), and
- October 1 to September 30 (the federal fiscal year).

For many institutions, the school fiscal year differs from the federal fiscal year.

1.6.4 The Federal Master Calendar

To ensure timely delivery of Title IV funds to students, federal law requires that ED adhere to a master calendar (Section 482 of the HEA) when developing required publications, communicating with postsecondary institutions, issuing regulations, and performing other activities necessary to both ED's and institutions' administration of Title IV programs.

Master calendar dates and deadlines

For allocations of campus-based and Federal Pell Grant funds, the law mandates that ED adhere to the following master calendar dates in the year preceding the award year.

- August 1—distribution of application for campus-based funds (Fiscal Operations Report and Application to Participate or FISAP) to institutions
- October 1—final date for institutions to submit FISAP to ED
- November 15—institutions receive edited FISAPs and computer printouts

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- November 15—institutions receive edited FISAPs and computer printouts

- December 1—institutions receive procedures for appealing campus-based award levels

- December 15—institutions return any needed FISAP edits to ED

- February 1—institutions receive tentative ED award levels for campus-based programs; institutions also receive final Federal Pell Grant Program Payment and Disbursement Schedule

- February 15—closing date for ED to receive institutional appeals

- March 1—appeals process completed

- April 1—final award notifications sent to institutions by ED for campus-based programs

- June 1—Federal Pell Grant Program authorization levels sent to institutions by ED

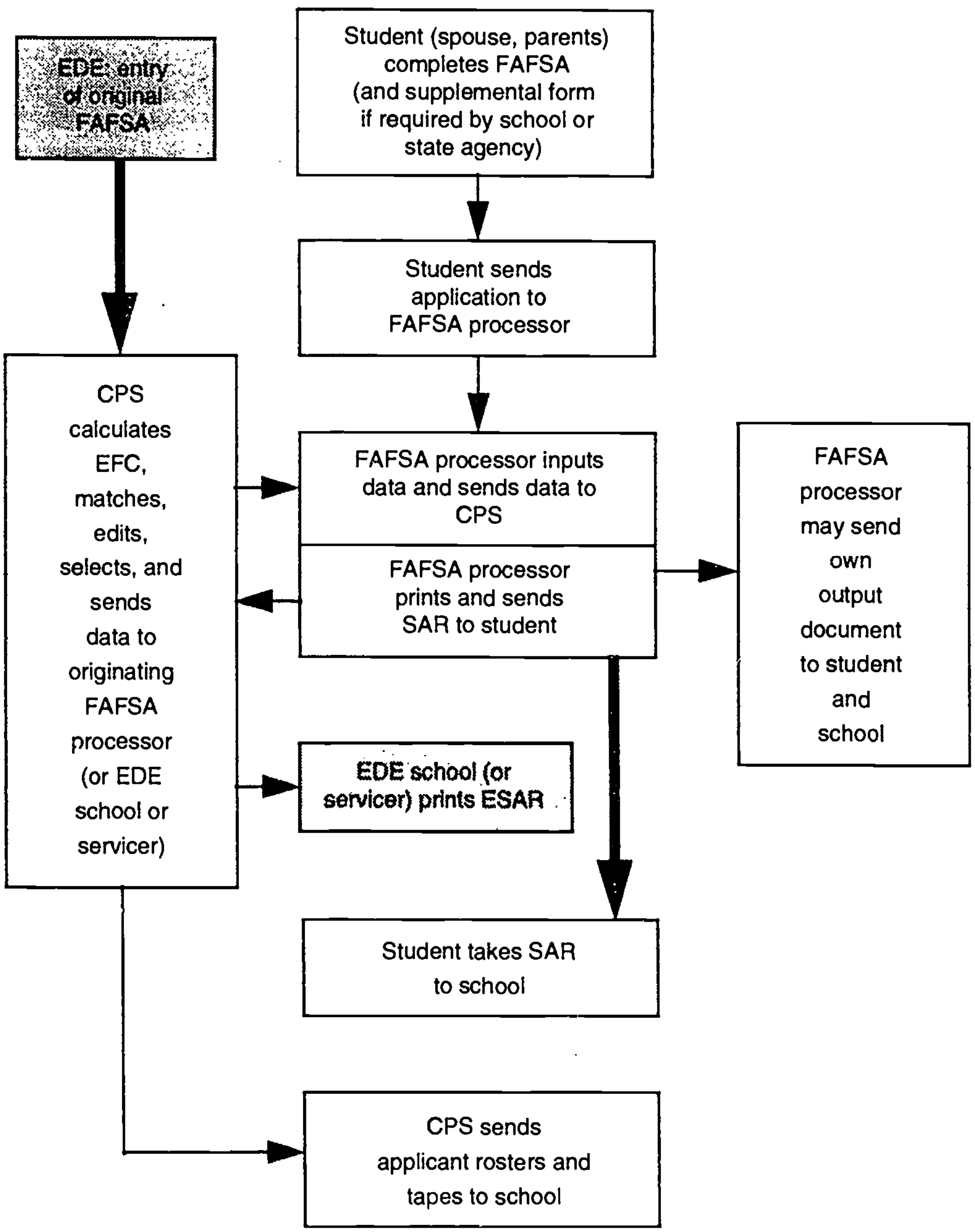
Publication of regulations

The master calendar also requires that regulations affecting a given award year be published no later than December 1 of the preceding calendar year. For example, for the 1995-96 award year, all final regulations were required to have been issued on or before December 1, 1994. However, these regulations take effect no earlier than July 1 of that award year.

1.6.5 Sample Calendars

The sample calendars on pages 19 and 20 illustrate financial aid and fiscal activities that typically occur during a school year. Note that there may be an overlap of a given award year, academic year, or fiscal year.

1995-96 Federal Application Processing System



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Sample Financial Aid Calendar at a Term-Based Institution

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Year One 1995-96	95-96 fiscal year and award year begin (July 1)		Term 1 classes begin, 95-96 academic year Deadline for filing Pell Grant payment reports for 94-95 award year (Sept. 30)	FISAP filed; report for 94-95 award year, application for 96-97 award year		Term 1 classes end, 1995-96 academic year	Term 2 classes begin, 1995-96 academic year FAFSA processing begins for 1996-97 award year (Jan. 1)		Award packaging begins for 96-97 award year Official Notice of Funding for campus-based programs (96-97 award year) sent to schools		Term 2 classes end, 95-96 academic year	95-96 fiscal and award years end (June 30) Campus-based funds deobligated for 95-96 award year
Year Two 1996-97	96-97 fiscal year and award year begin (July 1)		Term 1 classes begin, 96-97 academic year Deadline for filing Pell Grant payment reports for 95-96 award year (Sept. 30)	FISAP filed; report for 95-96 award year, application for 97-98 award year		Term 1 classes end, 96-97 academic year	Term 2 classes begin, 96-97 academic year FAFSA processing begins for 97-98 award year (Jan. 1)		Award packaging begins for 97-98 award year Official Notice of Funding for campus-based programs (97-98 award year) sent to schools		Term 2 classes end, 96-97 academic year	96-97 fiscal and award years and (June 30) Campus-based funds deobligated for 96-97 award year
Year Three 1997-98	97-98 fiscal year and award year begin (July 1)		Term 1 classes begin, 97-98 academic year Deadline for filing Pell Grant payment reports for 96-97 award year (Sept. 30)	FISAP filed; report for 96-97 award year, application for 98-99 award year		Term 1 classes end, 97-98 academic year	Term 1 classes end, 97-98 academic year FAFSA processing begins for 98-99 award year (Jan. 1)		Award packaging begins for 98-99 award year Official Notice of Funding for campus-based programs (98-99) award year sent to schools		Term 2 classes end, 97-98 academic year	97-98 fiscal and award years end (June 30) Campus-based funds deobligated for 97-98 award year.

·The December 31 deadline is subject to change

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Sample Financial Aid Calendar at a Nonterm Institution

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
Year One 95-96	95-96 fiscal year and award year begin (July 1)	Start date August 1	Deadline for filing Pell Grant payment reports for 94-95 award year (Sept. 30)	FISAP filed; report for 94-95 award year, application for 96-97 award year	Start date November 1		FAFSA processing begins for 96-97 award year (Jan. 1)	Start date February 1	Award packaging begins for 96-97 award year Official Notice of Funding for campus-based programs (96-97 award year) sent to schools		Start date May 1	95-96 fiscal and award years end (June 30) Campus-based funds deobligated for 95-96 award year
Year Two 96-97	96-97 fiscal year and award year begin (July 1)	Start date August 1	Deadline for filing Pell Grant payment reports for 95-96 award year (Sept. 30)	FISAP filed; report for 95-96 award year, application for 97-98 award year	Start date November 1		FAFSA processing begins for 97-98 award year (Jan. 1)	Start date February 1	Award packaging begins for 97-98 award year Official Notice of Funding for campus-based programs (97-98 award year) sent to schools		Start date May 1	96-97 fiscal and award years and (June 30) Campus-based funds deobligated for 96-97 award year
Year Three 97-98	97-98 fiscal year and award year begin (July 1)	Start date August 1	Deadline for filing Pell Grant payment reports for 96-97 award year (Sept. 30)	FISAP filed; report for 96-97 award year, application for 98-99 award year	Start date November 1		FAFSA processing begins for 98-99 award year (Jan. 1)	Start date February 1	Award packaging begins for 98-99 award year Official Notice of Funding for campus-based programs (98-99) award year sent to schools		Start date May 1	97-98 fiscal and award years end (June 30) Campus-based funds deobligated for 97-98 award year.

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Chapter 2: General Institutional Responsibilities

Executive Summary

This chapter discusses the broad range of responsibilities of schools participating in Title IV programs. The chapter begins with an overview of institutional eligibility issues, then discusses the responsibilities of individual offices. Emphasis is given to the fact that successful Title IV program management is a school-wide effort, not just the responsibility of a single office, and that the fiscal office plays an important role in this success.

The chapter also covers consumer information disclosure requirements, institutional policies and procedures, program evaluation, record maintenance, and refunds and repayments.

Key terms

administrative capability
Campus Security Act
Family Education Rights and Privacy Act (FERPA)
financial responsibility
Institutional Quality Assurance Program (IQAP)
overpayment
refund
repayment
separation of functions
Student Right-To-Know Act
withdrawal date

2.1 Overview of Fiscal Operations

The term "fiscal operations" encompasses a broad range of processes that may vary from one institution to the next. These variations may be attributed to the size of the institution, its organizational structure, the degree to which the fiscal office is automated, or the federal programs in which the institution participates, to name only a few factors.

From the perspective of managing federal student aid funds, the term "fiscal operations" includes, but is not limited to:

General fiscal activities

- requesting funds from the federal government,
- disbursing funds to eligible students,

- keeping accurate and auditable financial records,
- managing cash,
- accounting for funds and financial activities, and
- reporting on these activities.

Prior to completing any of these tasks, however, institutions first must be deemed eligible to participate in Title IV student financial aid programs (Title IV programs) and then must maintain this eligibility.

Application to participate

However, institutions may apply for campus-based funds before completing these tasks. That is, they may submit a FISAP for the following award year's funds by October 1 of the preceding award year. An award authorization will be calculated and held until the U.S. Department of Education (ED) certifies the institution to participate in Title IV aid programs. The certification must occur by June 30 of the preceding award year.

2.1.1 Institutional Eligibility

General eligibility criteria

To participate in any Title IV program(s), an institution must:

- meet the standards for an eligible institution,
- demonstrate that it is financially responsible and administratively capable of participating in Title IV programs,
- enter into a written Program Participation Agreement with ED, and
- be certified to participate in Title IV programs.

(For information on the Program Participation Agreement and certification procedures, please refer to Chapter 3 of *The 1995-96 Federal Student Financial Aid Handbook*.)

Types of eligible institutions

The 1992 amendments to the Higher Education Act (HEA), commonly referred to as reauthorization, defined three types of postsecondary institutions that are eligible to participate in Title IV programs—institutions of higher education, proprietary institutions of higher education, and postsecondary vocational institutions. (These terms are defined in Sections 600.4, 600.5, and 600.6 of the Institutional Eligibility regulations.) A school may fall into more than one of these categories. The differences in type of institution relate mainly to how the school is controlled (public, private, for-profit, nonprofit) and to the minimum program length offered by the school.

At some schools, ED has certified specific programs. For example, at a technical school, the cosmetology program might be certified for participation in Title IV programs, but the air-conditioning and sheet metal programs might not be.

85/15 rule

As of July 1, 1995, a proprietary institution must meet the "85/15 rule" to qualify as an eligible institution. This means that no more than 85 percent of the institution's revenue in a fiscal year may be derived from Title IV program funds; at least 15 percent must come from non-Title-IV program funds. Federal funding that is not from Title IV funds may make up the 15 percent.*

*Please note: An institution that determines it satisfied the 85/15 rule during its most recently completed fiscal year must have the auditor preparing its audited financial statement report on the accuracy of that determination. This is done by the auditor performing an "agreed upon procedures attestation engagement."

Schools must report directly to ED within 90 days of the end of their fiscal year when they do not satisfy this requirement. Audits of schools that do satisfy this requirement must include a statement to that effect. (See Dear Colleague Letter GEN-95-26.)

The institution's overall financial management capability must be examined annually by auditors to ensure that good practices are maintained and that poor ones are corrected. Two important areas in which standards must be upheld for continued participation in Title IV programs are financial responsibility and administrative capability.

2.1.2 Financial Responsibility

Within four months of the end of the institution's fiscal year, the school must submit to ED its audited financial statements for the two most recent fiscal years. (See Chapter 6.) Using this and other information, ED evaluates the school according to the factors of financial responsibility contained in Section 668.15 of the Student Assistance General Provisions. In general, a school is considered financially responsible if it:

Factors of financial responsibility

- provides the services described in its official publications and statements*,

- provides administrative resources necessary to comply with the requirements for participating in Title IV programs*,

- meets all of its financial obligations*, including paying required refunds to students and debts to ED,

- is current in paying any institutional debts*,

- posts an irrevocable line of credit, acceptable and payable to ED, equal to 25 percent of the total amount of Title IV program refunds paid by the school in the previous fiscal year** ,

- does not have as part of its most recent audit report*

  - a statement expressing substantial doubt of the school's ability to continue as a "going concern" *or*

  - a disclaimed or adverse opinion by the accountant,

- no individual who exercised significant control over the school owes a liability for a Title IV program violation unless the school and the individual owing the liability meet the provisions of Section 668.15(d)(4),

* A school may be considered financially responsible, even if the school fails to meet this standard, if the school (1) submits to ED an irrevocable letter of credit of not less than one-half of Title IV program funds received by the school for an award year or (2) establishes that it has sufficient resources to ensure against its precipitous closure.

** This standard is not applicable if the school (1) is located in a state that has a tuition recovery plan that is acceptable to ED and the school contributes to that tuition recovery fund, (2) has its liabilities backed by the full faith and credit of the state or by an equivalent governmental entity, or (3) demonstrates to ED that for each of the two most recently completed fiscal years the school has made timely refunds to students and has met all of the financial responsibility standards.

Further clarification of this requirement is found in the preamble of the *Federal Register*, November 29, 1994, Vol. 59, No. 228, page 61144, Institutional Eligibility; Student Assistance General Provisions; Federal Family Education Loan Programs; Final Rule.

- has not been limited, suspended, or terminated *or* has not entered into a settlement agreement to resolve a limitation, suspension, or termination within the preceding five years,

- was not required to repay an amount greater than 5 percent of Title IV funds received for an award year as a result of a finding during its two most recent program reviews or audits,

- was not cited during the preceding five years for failure to submit acceptable audit reports in a timely manner, *and*

- did not fail to resolve satisfactorily any compliance problems identified during a program review or audit.

Additional factors of financial responsibility apply to different types of institutions.

For-profit institutions

- A for-profit institution must*—

    - ♦ maintain an acid-test ratio of one-to-one in terms of the school's cash (excluding any irrevocable line of credit requested by ED) and current receivables to current liabilities, and

    - ♦ have not had operating losses in either or both of its last two fiscal years that in sum have resulted in more than a 10 percent reduction in the school's tangible net worth, and

    - ♦ have a positive tangible net worth for its most recent fiscal year,

      OR

    - ♦ have outstanding debt obligations that are listed at or above the second highest credit-rating level by a nationally recognized statistical-rating organization.

* A school may be considered financially responsible, even if the school fails to meet this standard, if the school (1) submits to ED an irrevocable letter of credit of not less than one-half of Title IV program funds received by the school for an award year or (2) establishes that it has sufficient resources to ensure against its precipitous closure.

Nonprofit institutions

- A nonprofit institution must*—
  - ♦ demonstrate at the end of its most recent fiscal year an acid-test ratio of one-to-one in terms of the school's cash and current receivables to current liabilities, and
  - ♦ (1) have at the end of its most recent fiscal year a positive unrestricted current fund balance or positive unrestricted net assets or (2) have not had an excess of current fund expenditures over current fund revenues during the past two fiscal years that have resulted in more than a 10 percent reduction in the school's unrestricted current fund balance or unrestricted net assets,

    OR
  - ♦ have outstanding debt obligations that are listed at or above the second highest credit-rating level by a nationally recognized statistical-rating organization.

Public institutions

- A public institution must*—
  - ♦ have its liabilities backed by the full faith and credit of the state or other equivalent government entity,
  - ♦ have a positive unrestricted current fund balance, if reporting under the Single Audit Act,
  - ♦ have a positive unrestricted current fund balance in the state's higher education fund as presented in the general purpose financial statements,
  - ♦ submit documentation from the state auditor general that it has met all of its financial obligations during the past year and has sufficient resources to meet all of its financial obligations,

    OR
  - ♦ have outstanding debt obligations that are listed at or above the second highest credit-rating level by a nationally recognized statistical-rating organization.

* A school may be considered financially responsible, even if the school fails to meet this standard, if the school (1) submits to ED an irrevocable letter of credit of not less than one-half of Title IV program funds received by the school for an award year or (2) establishes that it has sufficient resources to ensure against its precipitous closure.

Section 668.15(d)(1)(ii) of the Student Assistance General Provisions describes the factors that ED will consider in determining whether a state's tuition recovery fund may substitute for the federal cash reserve requirement.

2.1.3 Administrative Capability

Factors of administrative capability

In addition to demonstrating that it is financially responsible, a school must be administratively capable of participating in Title IV programs. Using a school's audited financial statements and other information, ED evaluates the school's administrative capability according to the standards contained in Section 668.16 of the Student Assistance General Provisions. In general, a school is considered administratively capable if it:

- administers Title IV programs in accordance with all Title IV requirements,
- designates a capable individual to be responsible for administering Title IV programs,
- communicates to the individual responsible for administering Title IV programs all information that bears on students' Title IV eligibility,
- has written procedures for administering Title IV programs,
- administers Title IV programs with adequate checks and balances in its system of internal controls,
- divides the functions of authorizing Title IV payments and disbursing and/or delivering Title IV funds so that the functions are carried out by at least two organizationally independent individuals,
- establishes and maintains required Title IV records,
- for purposes of determining students' eligibility for Title IV assistance, establishes, publishes, and applies reasonable standards for measuring whether students are maintaining satisfactory academic progress in the completion of their educational programs,
- develops an adequate system for resolving discrepancies in information related to students' applications for Title IV assistance,

- refers to ED's Office of Inspector General any credible information indicating that an applicant for aid, employee, or agent of the school might have engaged in fraud or other criminal misconduct in connection with Title IV programs,

- provides adequate financial aid counseling to Title IV applicants,

- submits in a timely manner all required Title IV program reports, including the submission of required fiscal reports, financial statements, and reconciliations,

- does not demonstrate any significant problems in its ability to administer Title IV programs,

- does not have any individual affiliated with the school who is/has been debarred or suspended or is engaging in any activity that is cause for suspension or debarment under Executive Order 12549 of the Federal Acquisition Regulation,

- for a school that seeks initial participation in a Title IV program, has not had more than 33 percent of its students withdraw during the latest complete award year,

- has a cohort default rate that is less than 25 percent under the Federal Family Education Loan (FFEL) Program for each of the three most recent fiscal years and that is equal to or less than 15 percent under the Federal Perkins Loan Program, and

- does not appear to lack the ability to administer Title IV programs competently.

FFEL Program

If a school is determined not to be administratively capable solely on the basis of its FFEL Program and/or Federal Perkins Loan Program cohort default rate(s), ED may provisionally certify the school's participation in Title IV programs.

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2.1.4 Separation of Functions

As stated in the previous section, federal regulations require an institution to divide the functions of authorizing payments and disbursing funds so that no single office or individual has responsibility for both functions for any student receiving Title IV funds. Even at very small institutions, no one person may be allowed to authorize payment of Title IV funds *and* to disburse those funds.

Authorizing payments and disbursing funds

Typically, the financial aid office awards Title IV funds and authorizes payment of those funds to students. The fiscal office disburses the funds by crediting student accounts, delivering checks to students, or delivering cash to students. The person who awards Title IV funds may not be authorized by the institution to sign checks or deliver them to students, nor may he or she be permitted to deliver cash to students or to credit student accounts for tuition, fees, books, supplies, or other charges.

FFEL Program

Under the FFEL Program, the lender *disburses* the funds, while the fiscal office *delivers* them to students. The financial aid office is allowed to receive FFEL proceeds and then forward them to the fiscal office for delivery to students.

Electronic systems

Separation of functions also applies to electronic systems that postsecondary institutions use to deliver student aid. For instance, a school's financial aid office may use the Electronic Data Exchange (EDE) to determine its students' Federal Pell Grant awards and to authorize their payments. However, that office could not be involved in either the ACH/EFT or the FEDWIRE electronic processes to draw down funds from ED/PMS to pay those students. The school's business office would perform that function. The key element here is that a school's electronic accounting system should be set up so that no one person can circumvent it.

2.2 Responsibilities of Institutional Offices

Effective management of Title IV programs hinges on institutional personnel's understanding of the responsibilities of their offices and how those offices must work together to ensure that standards are maintained and good practices are achieved. This must be a school-wide effort; each of three key offices plays an important role. Descriptions of these roles follow.

2.2.1 The President/Chancellor/Chief Executive Officer

Leadership role

The leadership and management style of the President, Chancellor, or Chief Executive Officer (CEO) set the tone and direction of the financial aid program for the entire institution.

Although some authority and responsibility may be delegated to other offices, the overall leadership and support of the CEO/President are crucial to the success of the financial aid program at a school. By recognizing the importance of federal aid programs, making their program administration a high priority, and holding key officials accountable, the CEO's/President's leadership can foster an environment that promotes an effective and responsive financial aid program that will meet the institution's goals, the needs of its students, and the stewardship responsibilities to those entities providing financial support for these programs.

Respons-ibilities of the CEO/ President

In addition to this general leadership responsibility, the CEO/President is also charged with specific responsibilities. The CEO/President must ensure that:

- the school is financially responsible and administratively capable to administer Title IV programs (see sections 2.1.2 and 2.1.3),
- a capable individual is responsible for administering Title IV programs and for coordinating federal and nonfederal financial aid programs,
- an adequate number of qualified staff administer Title IV programs,
- clear lines of responsibility are established,
- good communication and cooperation exist between pertinent institutional offices,
- the school maintains effective recordkeeping systems for both student records and financial records (see section 2.8),
- an adequate system of checks and balances exists to ensure separation of award and disbursement functions (see section 2.1.4),

- the school has accurate information about student applications for Title IV aid and that any discrepancies or inconsistencies in that information are resolved,

- the school provides adequate financial aid and debt management counseling to students,

- the school refers to ED's Office of Inspector General any suspected cases of fraud, abuse, or misrepresentation in connection with Title IV program funds,

- the school obtains and keeps current a fidelity bond and a performance bond (if required by ED to do so or if the school chooses to do so),

- an annual, nonfederal audit of the school's Title IV financial operations is performed by an independent auditor (see section 6.6.2),

- institutional personnel cooperate fully with any program reviews or audits and that all necessary information is made available to reviewers or auditors,

- no criminal or fraudulent activities occur in managing federal funds and administering Title IV programs,

- the institution has reasonable standards of satisfactory academic progress,

- the institution has a fair and equitable refund policy,

- the institution has an operable and accessible drug-abuse prevention program, as required under the Drug-Free Schools and Communities Act,

- the institution is a drug-free workplace, as required by the Drug-Free Workplace Act, and

- the school makes available all published information required by the Student Right-to-Know and Campus Security Act and by any other laws and/or regulations and that the school provides the services described in those publications.

Although these activities are listed under the office of the CEO/President, other institutional offices will be involved in making sure that these responsibilities are met.

2.2.2 The Financial Aid Office

While a school's financial aid office assumes most of the responsibilities of administering Title IV programs, the office's role in the institution's fiscal operation is usually a limited one. In general, fiscal functions carried out by financial aid administrators (FAAs) involve authorizing use of Title IV funds and might include:

Fiscally related activities

- authorizing payment of Title IV funds to student accounts or to students directly,
- authorizing refunds to students,
- authorizing refunds to Title IV program accounts, and
- ensuring that the school collects any required repayments.

The extent to which the financial aid office is involved in other Title-IV-related fiscal operations will depend on institutional characteristics, such as organizational structure, size, and level of automation. However, at all times, schools are required to adhere to the principle of separation of functions (see section 2.1.4). This means the functions of authorizing payments and disbursing funds to students must be separated so that no single office or individual has responsibility for both functions for any student assisted under any Title IV program.

Financial aid office respons-ibilities

Working in conjunction with other campus offices, the financial aid office is generally responsible for:

- advising and counseling students and parents about financial aid,
- providing students with consumer information, as required by federal regulations (see section 2.4),

- developing written policies and procedures that affect the school's administration of Title IV programs (see section 2.5),
- determining students' eligibility for financial aid and making financial aid awards to students,
- coordinating activities of the financial aid office with those of other institutional offices in administering financial aid programs,
- interacting with various outside groups, agencies, associations, and individuals about issues concerning the school's administration of financial aid programs,
- monitoring students' enrollment to ensure that satisfactory academic progress is maintained,
- maintaining both school records and student records that document activities of the financial aid office and provide data for reports (see section 2.8),
- keeping current on changes in laws and regulations to ensure that the school remains in compliance,
- assisting in reporting Pell Grant expenditures,
- managing and reporting on activities that involve financial aid funds,
- assisting in reconciling Direct Loan records, and
- reconciling student financial aid data provided to the business office to ensure that all payments have been made, refunds are accounted for, and expenditures are reported.

Loan counseling

An additional, important institutional responsibility is providing entrance and exit loan counseling to borrowers of FFEL Program loans and Federal Direct Loans. At some schools, these counseling activities are handled by the financial aid office as part of the award and delivery process, while at other schools, these activities are considered the responsibility of the business office as part of the disbursement process.

2.2.3 The Business Office

Title-IV-related fiscal operations are handled by an institution's business office. This office may go by another name—fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. For the duration of this book, this office will be referred to simply as "the business office" or "the fiscal office."

Separation of functions

Depending on the characteristics of an institution, a business office may have several staff members who perform the fiscal functions of managing Title IV programs or it may have only one staff member who is responsible for managing all fiscal aspects of Title IV programs for the school. In either case, separation of duties must be maintained at all times, such that no single office or individual has responsibility for the functions both of authorizing payments and disbursing funds to students.

Fiscal office responsibilities

The business office provides critical services to the school in managing both federal and nonfederal financial aid programs. Maintaining accounting, recordkeeping, and reporting functions tied to the institution's use of federal and other funds requires many detailed, complex systems. Strong internal controls and sound business and financial management practices are keys to the success of these operations and delivery of funds to students.

In fulfilling its fiduciary responsibility of Title IV fund management, some of the major responsibilities of the fiscal office are:

- coordinating activities and cooperating with the financial aid office in
    - ♦ projecting cash flow needed to cover awards,
    - ♦ processing cancellations and refunds,
    - ♦ obtaining authorization to pay Title IV funds,
    - ♦ being aware of changes in Title IV laws and regulations,
    - ♦ submitting accurate and timely reports,
    - ♦ reconciling with the financial aid office to ensure that all financial aid adjustments have been properly recorded,

- maintaining a system of internal controls that includes adequate checks and balances,
- ensuring that the functions of authorizing and disbursing Title IV funds remain separate,
- maintaining records according to federal and generally accepted accounting principles,
- maintaining records to ensure a clear audit trail,
- drawing down and returning Title IV funds,*
- disbursing funds to eligible students from Title IV program accounts,
- maintaining individual student accounts that record charges, credits, and amounts due (if the school uses individual student accounts),
- delivering FFEL Program loan proceeds,
- establishing and implementing the institution's refund policy,
- establishing and monitoring Federal Work-Study payroll and time sheets,
- assisting in reporting Title IV expenditures to ED in a timely manner,
- processing refunds and credit balances to Title IV accounts in accordance with the institution's refund policy and applicable federal regulations,
- reconciling accounts, including reconciling cash between school records and bank statements and reconciling federal funds between bank statements and federally reported balances,
- assisting in completing applications and fiscal reports for federal funds,
- maintaining a cash management system to meet disbursement requirements and federal laws and regulations,

*Please note that many institutions use ED/PMS to draw down other ED program funds besides Title IV funds. The same is true for returning funds.

*However, postsecondary institutions are not required to have a separate bank account for Title IV funds. See section 4.5.1.

- providing general stewardship for federal funds, including maintaining bank accounts* and investments as appropriate, and

- preparing for and participating in program reviews and audits.

Federal Perkins Loan Program

At some schools, the business office may also have responsibility for administering certain aspects of the Federal Perkins Loan Program. While the financial aid office will be responsible for awarding Perkins Loan funds, the business office may be responsible for collecting and handling promissory notes, billing borrowers in repayment, collecting payments, authorizing deferments, cancelling loans, and counseling students. A school may contract with a third-party servicer for some of these activities, and some schools have a separate loan office that is part of either the business office or the financial aid office.

Loan counseling

Finally, as mentioned in the description of financial aid office responsibilities, entrance and exit loan counseling for the Federal Direct Loan and FFEL Programs is sometimes handled by the business office as part of the loan-delivery process.

2.3 The Network of Responsibilities

Although business and financial aid offices of postsecondary schools have some responsibilities that are separate and distinct, other responsibilities overlap and are interdependent. To effectively administer Title IV programs as prescribed in federal law and regulations, it is essential that school officials remember that good stewardship of federal funds is ultimately the responsibility of the institution *as a whole*.

Example of the network of respons-ibilities

To illustrate the network of responsibilities that lies behind a simple action, consider the relatively routine activity of collecting and processing time sheets for Federal Work-Study (FWS) student employees. The following exercise is intended to give you a chance to consider how complex this network of responsibilities can be. Don't worry about the specific answers to these questions—they may vary from one school to the next.

- The FWS time sheet requires an oversight signature.

- ♦ Who is authorized to sign and certify that a student's work was performed in a satisfactory manner?

- Students must remain eligible from one term to the next.
  - ♦ Who monitors student eligibility and academic progress?

- Some eligibility requirements are school policies.
  - ♦ Who develops these policies for the school?

- Students are paid their wages on the basis of their time sheets.
  - ♦ Who collects the time sheets from students?
  - ♦ Who processes the payroll?
  - ♦ Who reconciles the payroll to the time sheets?

- Students may only earn up to the amount of their authorized FWS awards.
  - ♦ Who determines the amount of the award?
  - ♦ Who monitors students' earnings to ensure that they do not earn in excess of that amount?

- All schools are required to spend at least 5 percent of the federal share of their FWS funds to employ students in community-service positions.
  - ♦ Who locates and develops these jobs?
  - ♦ Who monitors the percentage of funds used for these jobs?

- Student earnings are part of the institution's overall FWS budget.
  - ♦ Who develops the budget?
  - ♦ Who monitors expenditures?

- Schools that receive FWS funds are required to apply for those funds and to report to ED on the use of those funds.

    - Who completes the application?

    - Who completes the report?

2.4 Student Consumer Information

Sections 668.41-668.47 of the Student Assistance General Provisions specify the types of published information that institutions are required to make available to students, prospective students, and employees. This is an area of responsibility that is shared among institutional offices. In general, the financial aid and business offices share primary responsibility for providing this information, but other offices must be involved as well.

The topic of consumer information is covered in great detail in Chapter 3, Section 8, of *The 1995-96 Federal Student Financial Aid Handbook* (the Handbook). The information presented here is an overview of that section.

Financial aid information

All institutions are required to provide information on:

- all financial aid programs available to students, the amounts of aid available from each source, and the required application procedures,
- how student eligibility for aid is determined,
- how the school distributes aid among students,
- the rights and responsibilities of financial aid recipients,
- how and when financial aid will be disbursed,
- the terms and conditions of any employment offered as financial aid,
- the terms of, schedules for, and necessity of loan repayment,

- the criteria for measuring satisfactory academic progress and the procedures students must follow to regain eligibility if they have failed to meet these criteria,
- information on preventing drug and alcohol abuse,
- information regarding availability of federal financial aid funds for study-abroad programs, and
- information on availability of community-service FWS jobs.

General information

Schools are also required to provide general information about themselves, as detailed in the Handbook. This information includes matters related to fiscal operations, such as:

- licensing and accreditation,
- costs of attendance, including tuition, fees, room and board, transportation, books and supplies, loan fees, and additional costs associated with certain programs of study,
- institutional refund and repayment policies, and
- the federally prescribed order for distributing student financial aid refunds and repayments to Title IV programs.

Availability of personnel

Federal regulations require that schools make personnel available during their normal operating hours to help current and prospective students obtain consumer information.

Job placement claims

A school that makes marketing claims about job placement rates to recruit students must disclose information supporting these claims to prospective students at or before the time of application. This means that schools must provide detailed statistics and other information necessary to substantiate the truthfulness of their claims.

Student Right-To-Know provisions

All schools participating in Title IV programs are subject to the disclosure requirements of the Student Right-To-Know and Campus Security Act of 1990, as amended. The Student Right-To-Know provisions require a school to disclose its completion or graduation rates to both current students and prospective students before they enroll or enter into any financial obligation or loan agreement. This same legislation also requires schools that award athletically related student aid to report to ED annually regarding:

- the number of students who receive athletic aid as compared to the total number of students at the institution and

- the completion rate for student athletes compared to the rate for the student body as a whole.

For more detailed information about disclosure requirements under the Student Right-To-Know Act, consult Chapter 3, Section 8 of the Handbook. (Student Right-To-Know Act regulations have not yet been published in final form.)

Campus Security provisions

The Campus Security provisions require schools to collect, prepare, publish, and distribute specific crime-related information to all current students and employees and, on request, to prospective students and employees. This is an extensive report that must be prepared annually and submitted to ED. The report includes information about a school's security policies and procedures, crime prevention programs, and on-campus crime statistics. For more information about campus safety reporting requirements, see Section 668.47 of the Student Assistance General Provisions.

2.5 Institutional Policies and Procedures Manual

Required written policies

The law requires schools to have written policies and procedures related to many aspects of administering Title IV programs, including:

- student consumer information,

- verification,

- satisfactory academic progress,

- institutional refund and repayment,

- Title IV refund and repayment, and

- loan disclosure statements and fact sheets (this particular requirement does not apply to Direct Loans).

Advantages of policies and procedures manual

Although the law does not require schools to maintain these written policies and procedures in a manual, schools generally find that creating such a manual helps them be more effective, efficient, and consistent in managing financial aid programs.

A comprehensive institutional policies and procedures manual is a valuable tool that can:

- document how and when the school's required written policies and procedures were established,
- provide the content of all required written policies and procedures in one location,
- standardize general operating procedures for consistency and fair treatment of all students, and
- serve as a reference guide and training resource.

A policies and procedures manual can also prove extremely valuable when the school undergoes a compliance audit or program review.

Business procedures manual

Many institutions have business procedures manuals to cover fiscal matters, such as accounting, budgeting, payroll, personnel, and the like. However, due to the broad scope and complexity of financial aid programs, it is wise to develop a separate financial aid policies and procedures manual. This manual should address policies and procedures that affect all aspects of financial aid administration from the perspectives of both the business office and the financial aid office.

Suggested topics for manuals

In addition to the required written policies listed at the beginning of this section (section 2.5), a comprehensive policies and procedures manual would include:

- an overview of the institution itself, its mission, its students, and its philosophies,

- descriptions of all federal, state, and institutional aid programs, including application procedures, award amounts, and eligibility requirements,
- descriptions of the organizational structures of the financial aid office and the business office,
- a statement of the institution's policy for awarding financial aid (commonly referred to as the "packaging policy"),
- procedures for processing financial aid applications,
- all procedures used in recordkeeping and reporting,
- calendars of activities, including dates and deadlines for students,
- procedures for evaluating business office and financial aid office operations, and
- copies of forms, applications, standard correspondence, and other printed materials routinely used by the financial aid office and business office and/or distributed to students.

2.6 Evaluating Your Management of Student Financial Aid Programs

Schools should evaluate the way they administer Title IV programs on a regular basis. This is a priority of the U.S. Department of Education, as well as of the professi nal communities of business officers and financial aid administrators.

Goals of evaluation

Evaluating Title IV administration serves many purposes, two important ones being to ensure that the school is complying with statutory and regulatory requirements and to identify school policies and procedures that need updating or revising.

All schools that participate in Title IV financial aid programs must ensure that their student aid operations, procedures, and policies remain in compliance with statutory and regulatory requirements. Failure to do so may have serious consequences:

Conse-quences of non-compliance

- Institutional liabilities—The school will be required to repay any misused funds to ED.

- Inequitable student aid distribution—Students at the school may be awarded less or more aid than they are entitled to receive.

- Possible fines, limitation, suspension, or termination—If audits and program reviews identify serious instances of non-compliance, inappropriate use of funds, or fraud, the school may be subject to emergency action by ED and may ultimately lose its eligibility for federal student aid programs.

- Debarment—Individuals found responsible for fraud or serious misuse of federal funds may be barred from involvement in any federal programs.

Evaluation methods

The primary methods for evaluating an institution's management of Title IV programs are:

- self-evaluation,

- peer evaluation,

- ED's Institutional Quality Assurance Program (IQAP),*

- federal program reviews and audits,

- compliance and financial audits, and

- State Postsecondary Review Entity (SPRE) reviews.

*Please note that Direct Loan schools are required to submit a separate Quality Assurance Plan that is not part of IQAP.

The last three methods (audits and reviews) are required and are conducted by third parties. These procedures are discussed in Chapter 6 of this guide. The following three sections are discussions of evaluation methods that are strongly recommended; they are not required.

2.6.1 Self-Evaluation

Institutional self-evaluation provides a way of maintaining internal quality control and serves as an effective management tool. The process helps a school detect and correct small problems before they become potential sources of liability. Self-evaluation also helps the school prepare for future program reviews and audits. A self-evaluation might include:

Components of self-evaluation

- reviewing a representative sample of student files,
- reviewing written policies and procedures, and
- observing activities such as loan counseling sessions.

A publication that can help schools develop comprehensive evaluation systems is *The Institutional Guide for Financial Aid Self-Evaluation*, published by the National Association of Student Financial Aid Administrators (NASFAA). The publication provides a step-by-step outline for reviewing financial aid and fiscal policies, procedures, and practices. The guide can be ordered by calling NASFAA at 202-785-0453.

2.6.2 Peer Evaluation

Peer evaluation is another technique for obtaining an independent, objective review of an institution's administration of Title IV programs. The peer evaluator can be a financial aid administrator or fiscal officer from another school or a financial aid consultant.

Exchange of ideas

In a peer evaluation, both sides benefit. The school being evaluated obtains an objective evaluation of its operation from someone at a similar institution, while the person performing the evaluation gets a first-hand look at how another school manages financial aid programs. Comparing notes and exchanging ideas are methods by which colleagues in financial aid offices and business offices can share their expertise for the good of all.

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2.6.3 Institutional Quality Assurance Program

The Institutional Quality Assurance Program (IQAP) was formally established by the Higher Education Amendments of 1992. The program had existed previously only as a pilot project.

Under IQAP, schools establish formal quality-control programs that are intended to minimize program errors and improve the school's administration of Title IV programs. IQAP takes a proactive approach, in that it focuses on preventing problems and improving existing procedures rather than penalizing institutions for errors and mismanagement of programs.

Schools that participate in IQAP are exempt from certain ED reporting and verification requirements if their institutional quality-control measures duplicate these requirements.

Schools that are interested in participating in IQAP should contact ED's Performance and Accountability Improvement (PAI) staff at 202-260-4788.

2.7 Refunds, Repayments, and Overpayments

Fair and equitable refund policy

When students withdraw, drop out, or are expelled, the school may owe them a refund of payments they made for institutional charges. For these institutional refunds, the Higher Education Amendments of 1992 established that all schools participating in Title IV programs are *required* to have fair and equitable refund policies. The flowchart on page 68 shows the refund process and how the law defines a "fair and equitable" refund policy. The term "fair and equitable" was clarified in a regulation published in the *Federal Register* on April 29, 1994, that became effective July 1, 1994. (See Section 668.22 of the Student Assistance General Provisions.)

The purpose of this section is to provide a comprehensive overview of the federally mandated refund policy. Chapter 3, Section 5, of *The 1995-96 Federal Student Financial Aid Handbook* (the Handbook) covers the refund process in greater detail and provides calculations, examples, and worksheets. Fiscal officers are strongly advised to obtain a copy of this section of the Handbook and to familiarize themselves with its contents.

Note: Refunds discussed in sections 2.7 through 2.7.2.4 of this chapter are separate from refunds sent to ED for interest on excess cash from ED/PMS drawdowns (as discussed in Chapter 4) and refunds of audit or program review liabilities (as discussed in Chapter 4 and Chapter 6).

2.7.1 General Principles and Definitions

Under federal law, schools must provide refunds of unearned tuition, fees, room and board, and other charges assessed to students who received Title IV assistance or to parents who received Federal PLUS Loans or Federal Direct PLUS Loans on a student's behalf. Such refunds must be provided for students who fail to register, withdraw, drop out, are expelled from the school, fail to return from an approved leave of absence, or fail to complete the period of enrollment for which they were charged.

Methods used to determine required refund

The school must provide Title IV recipients a refund of at least as much as the largest refund under the following three methods:

1. the requirements of applicable state law or refund regulations promulgated by a state agency that were established through a legally enforceable regulatory process; *or*

2. the specific refund requirements established by the school's nationally recognized accrediting agency and approved by the U.S. Secretary of Education;* *or*

3. if applicable, a statutory *pro rata* refund calculation as defined by the Higher Education Amendments (HEA) of 1992. (This applies primarily to first-time FFEL and Direct Loan student borowers who withdraw on or before the 60 percent point of the enrollment period for which they were charged.)

* However, please note that at the time this edition of *The Blue Book* was published, ED had not approved any accrediting-agency-established refund polices. Therefore, at present, the school would provide a refund of at least as much as the larger refund under either the requirements of applicable state law or, if applicable, a statutory *pro rata* refund calculation as defined by the 1992 reauthorization of the HEA.

Determining the largest refund

To calculate a refund that is at least as much as the largest refund produced by the three methods just outlined, a school must:

1. calculate the results of each refund method separately,
2. compare the resulting amounts, and
3. use the calculation that provides the largest refund.

In cases where the *pro rata* calculation does not apply, a refund must be the larger of the results of the other two methods, as determined by state law or the school's accrediting agency.

Federal refund calculation

In cases where no state or accrediting agency standards exist and *pro rata* does not apply (see item 3 on page 46), the school must calculate a refund using the federal refund calculation outlined in Section 668.22(d) of the Student Assistance General Provisions and the school's own refund policy. The school must use the calculation that produces the larger refund. In the April 29, 1994 *Federal Register* notice, the federal refund calculation was contained in Appendix A of Section 668.22. It was moved to the body of the regulations in the November 29, 1994 *Federal Register* notice and became effective July 1, 1995.

Title IV refunds and repayments are calculated on the basis of the period of enrollment for which the student was charged. When a student terminates enrollment, the school must determine:

- whether the student is entitled to a refund of institutional charges paid to the school for the period of enrollment,
- whether any portion of such refund must be returned to a Title IV program, and
- whether disbursements of aid made directly to the student may be retained by the student or whether the student was overpaid and owes a repayment.

Definition of refund

The term "refund" means returning amounts paid and reporting the reduced amount a student owes for institutional charges to:

- Title IV programs (if the student has received Title IV aid other than Federal Work-Study*) and to other sources of aid *or*

- students who have officially withdrawn, if they are entitled to receive refunds of amounts paid for institutional charges.

* Federal Work-Study (FWS) wages are not considered when calculating refunds or repayments because students cannot be required to repay earned wages.

Repayment and overpayment

The term "repayment" is used when Title IV recipients have received cash disbursements that must be returned to Title IV program funds. If the student owes a repayment, he or she is considered to have received an "overpayment." If Title IV cash disbursements to the student—other than Federal Work-Study wages, FFEL Program loans, and Federal Direct Loans—were greater than the student's living expenses incurred before the student withdrew from school, the difference is considered an overpayment.** The overpayment must be collected from the student and any repayment owed to Title IV programs must be returned to these programs before any remaining overpayment is returned to other sources of aid.

** FFEL Program loans and Federal Direct Loans are excluded from repayments because students or parents already are required to repay all cash disbursements received from these programs under their legal obligation to repay the loans.

To calculate the amount of a refund or repayment, the school must know when the student stopped attending school. The student only "earns" Title IV aid, and the school only "earns" its charges, while the student actually attends school. The point at which the student stopped attending school is called the "withdrawal date"; this term is defined in section 2.7.2.2.

2.7.2 Factors Affecting Refunds and Repayments

Before schools can effectively develop or implement their refund policies, they must understand a number of factors that underlie those policies and that relate to applicable laws and regulations.

2.7.2.1 Applying and Disbursing Aid

Applying aid to charges owed the school

ED recommends that schools apply financial aid first to cover institutional charges. (See section 2.7.2.3.) This practice ensures that federal funds are used first to pay direct costs, such as tuition, before funds are released to students for indirect costs, such as books and transportation. ED also recommends that schools develop written policies for applying financial aid to charges owed the school. Schools may wish to design a priority system that specifies the sources and types of aid that should first be applied to certain charges*.

- For example, a school might determine that grant funds (gift aid) from all sources would be used first to pay tuition, fees, and room and board owed the school. After all grant funds had been used, loans (self-help aid) would be credited to remaining charges for tuition, fees, room and board. Any unused loan funds would be disbursed to the student as cash for other educationally related expenses.

* In accordance with federal cash management regulations effective July 1, 1995, schools must obtain students' written permission to credit their accounts for anything other than tuition, fees, and room and board contracted with the school.

Disbursing excess funds

If financial aid credited to charges owed to the school is not sufficient to cover the charges, the student will still owe the school money. If the aid credited exceeds charges owed, the student (or parent, in the case of a PLUS Loan) will be due a cash disbursement in the form of cash or a check. Funds may be held in a student's account only with the student's written permission and only under certain circumstances. (See section 4.7.5.) An institution must record which types of aid have been applied to institutional charges and which types were included in any cash disbursement. Such recordkeeping is essential for calculating Title IV refunds and repayments.

2.7.2.2 Withdrawal Date

Schools must determine a student's withdrawal date no later than 30 days after the expiration of the earliest of:

- the academic year in which the student withdrew,
- the period of enrollment for which the student has been charged, *or*

- the educational program from which the student withdrew.

Determining withdrawal date

The student's withdrawal date is:

- for official withdrawal—either the date that the student officially notifies the school that he or she is withdrawing or the date of the withdrawal, whichever is later, *or*

- for unofficial withdrawal—the last date of class attendance that the school can document.

Correspondence courses

For correspondence courses, the date of withdrawal is the date of the last lesson submitted by the student. If the student establishes, in writing, the desire to continue in the program within 60 days of the date of the last submitted lesson, the school may restore "in-school" status on a one-time-only basis.

Leaves of absence

An approved leave of absence (LOA) is not considered a withdrawal. An LOA may be approved by the school if:

- the student requests the LOA in writing,

- the LOA does not exceed 60 days,

- the LOA does not involve additional charges to the student, and

- there is no more than one approved LOA for the student in any 12-month period.

Any LOA that does not meet the above criteria is considered a standard wit' drawal, and a refund calculation must be performed.

If a student does not return after an approved LOA, the student is considered as having withdrawn. A refund calculation must be performed, using a withdrawal date that is the student's last recorded date of attendance prior to the beginning of the LOA. Any required refund must be paid within 30 days after the LOA expires.

2.7.2.3 Institutional and Non-Institutional Charges

Charges owed the school

Institutional charges are charges owed directly to the school for tuition, fees, and room and board contracted with the school. Other charges may be considered institutional charges if they are required for all students in a given program of study and if they are disclosed as such in the school's published consumer information. (See section 4.7.1.)

Other institutional charges

Books, supplies, and equipment are also considered institutional charges if the charges are specified in the student's enrollment agreement or if there is no option to buy the books, supplies, or equipment from a source other than the institution.

Non-institutional charges

Non-institutional charges are those that are not owed directly to the school but that are related to a student's education. Examples are books, supplies, equipment, transportation, dependent-care expenses, loan fees, and room and board not contracted with the institution.

2.7.2.4 Unpaid Charges

Calculating unpaid charges

When calculating a refund, schools must first determine the student's unpaid charges.

Total Institutional Charges
- Total Aid Paid to Institutional Charges
- <u>Student's Cash Paid</u>
= Unpaid Charges

Late disbursements

In calculating unpaid charges, schools must take into account any late Title IV funds for which the student is still eligible, such as an approved late disbursement of an FFEL Program loan or Federal Direct Loan. Any such late disbursements should be counted toward aid paid to institutional charges.

2.8 Record Maintenance and Retention Requirements

Institutions participating in Title IV programs collect and generate a significant volume of program-related and student-related information on a yearly basis. Federal regulations specify which of these records must be maintained and the period of time for which they must be retained. These record maintenance and retention requirements are school-wide and include fiscal, financial aid, and general institutional records.

Importance of maintaining records

The importance of maintaining complete and consistent records cannot be overemphasized. These records are used to document a school's administrative capability and financial responsibility and are crucial in maintaining eligibility to participate in Title IV programs. As such, schools must make student, financial aid, program, and general records available to auditors and representatives of ED at their request. Records that are poorly maintained or that are not readily available for review can lead to findings, exceptions, and liabilities in the course of an audit or program review.

This section describes the recordkeeping requirements contained in the Student Assistance General Provisions and in the specific regulations for each Title IV program. A discussion of the Family Education Rights and Privacy Act (FERPA) is also included. FERPA is an important law that protects the privacy of students and families by controlling disclosure of student records to parties outside the institution and by allowing students access to their own school records.

2.8.1 General Student Records

In accordance with Section 668.23 of the Student Assistance General Provisions, schools must establish, maintain, and keep current certain records pertaining to Title IV recipients. For each student receiving Title IV funds, a school must keep records of:

Required records

- the student's admission to and enrollment status at the institution,
- the program of study and the courses in which the student has enrolled,
- the student's academic progress,
- all financial aid the student receives at the institution,
- the student's prior receipt of financial aid at other institutions,

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- all refunds due or paid to the student, Title IV programs, or FFEL Program lenders,

- the student's job placement, (if the school provides a placement service and the student uses that service) and

- verification of information reported on the student's financial aid application.

Admission records

For *all* students, not just Title IV recipients, the school must keep records regarding its admission requirements and the educational qualifications of each student admitted to or enrolled in each eligible program.

Schools must also keep records relating to student consumer-information requirements and to requirements under the Student Right-To-Know and Campus Security Act. (See section 2.4.)

2.8.2 General Institutional Records

Examples of institutional records

Schools must maintain all records that relate generally to the institution's eligibility to participate in Title IV programs, as discussed in Sections 668.14, 668.15, and 668.16 of the Student Assistance General Provisions. Examples include:

- the institution's Program Participation Agreement,

- accrediting and licensing agency reviews, approvals, and reports,

- state agency reports,

- audit and program review reports, and

- self-evaluation reports.

2.8.3 General Fiscal Records

A school must keep consistent and accurate records of its use of Title IV funds. Program and fiscal records must show a clear (easily followed) audit trail for expenditures of federal funds. Similarly, these records must clearly show that funds were obtained, managed, disbursed, and returned in accordance with federal regulations.

Fiscal records that must be maintained include:

Examples of fiscal records

- records of all Title IV program transactions,
- bank statements for accounts containing Title IV funds,
- student accounts, including (for each enrollment period) institutional charges, cash payments, Title IV payments, cash disbursements, refunds, and repayments,
- general ledger (control accounts) and related subsidiary ledgers that identify each program transaction and separate those transactions from the institution's other financial transactions, and
- Federal Work-Study (FWS) payroll records (see section 2.5.6).

Specific fiscal recordkeeping requirements for each Title IV program are discussed in that program's regulations.

2.8.4 Financial Aid Application and Award Records

Schools are required to keep extensive records involving student applications for financial aid and financial aid awards. Required records include:

Examples of financial aid records

- student applications for financial aid and need analysis documents for all eligible aid applicants who attended the school, *whether or not they received any financial aid,*
- documents establishing a student's financial need and eligibility for Title IV aid,
- financial aid awards made to and accepted or declined by students,
- cost of attendance information for individual students,

- verification documents, including student (and spouse, if applicable) and parent federal tax returns,

- records of FFEL Program loans and Federal Direct Loans,

- documentation of required entrance and exit loan counseling for students borrowing under the FFEL, Federal Direct Loan, and Federal Perkins Loan Programs,

- data used to establish a student's full-time or part-time enrollment status and period(s) of enrollment,

- records of refunds due or paid to students, Title IV program accounts, or FFEL Program lenders, and

- required certification statements (such as Statement of Educational Purpose, Statement of Refunds and Default, and Statement of Registration Status) and any documents used to support or verify those certifications.

2.8.5 Reporting Records

Examples of reporting records

Schools must maintain reports or copies of reports submitted or received in connection with administering Title IV programs, including—

- Fiscal Operations Report and Application to Participate (FISAP),

- Federal Pell Grant Program Institutional Payment Summaries (IPSs) and Statements of Account (SOAs),

- Department of Education Payment Management System (ED/PMS) cash requests,

- ED/PMS 272 Reports (quarterly or monthly reports),

- Student Status Confirmation Reports (SSCRs) for the FFEL and Federal Direct Loan Programs,

- reconciliation reports for Title IV programs,

- federal, state, and independent audit reports and school responses,
- state grant and scholarship award rosters and reports, and
- accrediting and licensing agency reports.

In addition, schools must maintain records that support the data that appear on all required reports.

2.8.6 Program-Specific Records

Schools must also keep records that relate specifically to each Title IV program.

Federal Pell Grant Program

For the Federal Pell Grant Program, under Section 690.82 of federal regulations, schools must maintain:

- the Student Aid Report (SAR) or Institutional Student Information Record (ISIR) of each student applying for a Federal Pell Grant,
- records of the eligibility of each enrolled student for whom the school has a valid SAR or ISIR,
- the name and Social Security Number of and the amount paid to each student,
- the amount and date of each payment,
- the amount and date of any overpayment that is restored to the program account,
- each student's cost of attendance,
- how each student's full-time or part-time enrollment status was determined, and
- each student's enrollment period.

Federal Direct Loan Program

For the Federal Direct Loan Program, under Section 685.309 of federal regulations, schools must maintain a copy of the application data submitted to ED and, on request produce a record of:

- the amount of the loan and the loan period,
- the data in an individual student budget or the school's itemized standard budget that were used in calculating the student's estimated cost of attendance,
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period,
- the amount of the student's tuition and fees paid for the loan period and the date the student paid the tuition and fees,
- the amount and basis of the calculation of any refund paid to or on behalf of a student,
- for a subsidized Direct Stafford/Ford Loan, the data used to determine the student's Expected Family Contribution,
- for a subsidized or unsubsidized Direct Stafford/Ford Loan, the date of each disbursement of the loan,
- the date of each disbursement of the loan and the amount of the disbursement,
- the student's job placement, if known,
- borrower information collected at the exit interview and documentation that confirms that the student received entrance and exit loan counseling, and
- all records involved in any loan, claim, or expenditure questioned by a federal audit until the resolution of any audit questions.

In addition, schools must maintain any other records that document their compliance with any applicable loan-related requirements.

Federal Family Education Loan Program

For the Federal Family Education Loan (FFEL) Program, under Section 682.610 of federal regulations, schools must maintain:

- a copy of the loan application or data electronically submitted to the lender,
- the name and address of the lender,
- the amount of the loan and the loan period,
- the data used to construct an individual student's budget or the school's itemized standard budget used to calculate students' estimated costs of attendance,
- the sources and amounts of financial aid available to the student that the school used to determine the student's estimated financial aid for the loan period,
- the amount of the student's tuition and fees paid for the loan period and the date the student paid the tuition and fees,
- the amount and basis of the calculation of any refund paid to or on behalf of a student,
- for a subsidized Federal Stafford Loan for which the borrower receives an interest subsidy, the data used to determine the student's Expected Family Contribution and the corresponding certification by the school to the lender,
- the date of each disbursement of the loan and the amount of that disbursement,
- the date the school endorsed each loan check,
- the date(s) loan proceeds were delivered by the school to the student,
- for loans delivered by electronic funds transfer (EFT), a copy of the student's written authorization to transfer initial and subsequent disbursements of each FFEL Program loan,

- the student's job placement (if known) and

- documentation that the student received entrance and exit loan counseling.

In addition, schools must maintain any other records that document their compliance with any applicable loan-related requirements.

Federal Perkins Loan Program

For the Federal Perkins Loan Program, under Section 674.19 of federal regulations, schools must maintain:

- program and fiscal records that
  - ♦ are reconciled at least monthly,
  - ♦ identify each student's account and status,
  - ♦ show the eligibility of each student assisted under the program, and
  - ♦ show how each student's need was met,

- original promissory notes and repayment schedules in a locked, fireproof container until the loans are satisfied or until they are assigned to the federal government for collection,

- all loan applications for those students reported on the FISAP,

- all records supporting the school's application for funds under the Federal Perkins Loan Program,

- a repayment history for each borrower that shows the date and amount of each repayment over the life of the loan and that indicates the amount of each repayment credited to principal, interest, collection costs, and penalty or late charges,

- documentation of the date, nature, and result of each contact with the borrower or endorser in collection of an overdue loan, including copies of all correspondence to or from the borrower and endorser, (except bills, routine overdue notices, and routine form letters),

- payment records, (including cancellation and deferment requests),
- collection agency reports, and
- litigation records.

Federal Work-Study Program

For the Federal Work-Study Program, under Section 675.19 of federal regulations, schools must maintain:

- program records that
  - ♦ are reconciled at least monthly,
  - ♦ identify each student's account and status,
  - ♦ show the eligibility of each student assisted under the program, and
  - ♦ show how each student's need was met,
- all employment applications for those students reported on the FISAP,
- all records supporting the school's application for Federal Work-Study funds,
- a certification that each student has worked and earned the amount paid, signed by the student's supervisor, an official of the institution, or off-campus employer,
- for students paid on an hourly basis, a time sheet showing the hours each student worked in clock-time sequence or the total hours worked each day,
- a payroll voucher containing sufficient information to support all payroll disbursements, and
- a noncash-contribution record to document any payment of the institution's share of the student's earnings in the form of services and equipment.

FSEOG Program

For the Federal Supplemental Educational Opportunity Grant (FSEOG) Program, under Section 676.19 of federal regulations, schools must maintain:

- program records that
  - ♦ are reconciled at least monthly,
  - ♦ identify each student's account and status,
  - ♦ show the eligibility of each student assisted under the program, and
  - ♦ show how each student's need was met,
- ali FSEOG applications for those students reported on the FISAP,
- all records supporting the school's application for FSEOG funds, and
- a noncash-contribution record to document payment of the institution's share of grants to students.

2.8.7 Record Retention Requirements

Student records must be kept for *five years from the following dates*:

Federal Pell Grant Program	the last day of the award year
FSEOG and Federal Work-Study Programs	the date that the school files its FISAP for that award year
Federal Perkins Loan Program	for award records, the date that the school files its FISAP for that award year for loan records, the date of the loan's assignment, cancellation, or final repayment
Federal Family Education Loan Program	for loan records, the last day of the loan period for reports, the date the report is completed
Federal Direct Loan Program	for loan records, the student's last day of attendance for reports, the date the report is completed

Microfilm and microfiche records

The school must keep records involved in any claim or expenditure questioned by a federal audit or program review for at least five years and until such questions are fully resolved.

Audit and program review records

Required records may be maintained on microfilm, microfiche, or CD-ROM, with the exception of promissory notes under the Federal Perkins Loan Program and the Federal Family Education Loan (FFEL) Program. *Microfilmed or microfiched copies of promissory notes are not acceptable.*

Direct Loan records

Because the Federal Direct Loan Program is fully automated, the required records may be maintained on diskette or in the school's computer. The Direct Loan Servicing Center is required to maintain original promissory notes for Direct Loans.

2.8.8 Disclosing Student Information

FERPA

The Family Education Rights and Privacy Act of 1974 (FERPA) sets certain conditions on disclosure of personal information from records kept by schools participating in Title IV programs. The law pertains to all students attending these schools, not just Title IV recipients. In addition, federal regulations issued under FERPA (34 CFR 99) apply to all school records, including admissions records, academic records, and financial aid records.

Law enforcement records

The 1992 Higher Education Amendments eliminated FERPA restrictions on records of a school's law enforcement unit. As amended, FERPA excludes from the definition of "education records," and from the restrictions and rights of access under FERPA, records that are maintained by a law enforcement unit of an education agency or institution that were created by that unit for the purpose of law enforcement.

School requirements

Under FERPA, a school is required to:

- develop a written policy listing the types and locations of education records maintained by the school and stating the procedures for students and parents to review the records,
- notify students and parents of their rights with respect to education records, and
- document the student's file each time personally identifiable information is disclosed to a person other than the student.

Student rights

A student has the right to:

- inspect and review his or her education records,
- request an amendment to the records, and
- if the request for an amendment is denied, to request a hearing to challenge the contents of the education records on the grounds that the records are inaccurate, misleading, or violate the student's rights.

Disclosure to third parties

FERPA regulations also govern the disclosure of student information to parties other than the student. There are several conditions under which personally identifiable information may be disclosed without the student's prior written consent. Some of these conditions are of interest to the fiscal officer:

- Disclosure may be made to authorized representatives of the U.S. Department of Education (ED), ED's Office of Inspector General, or state and local education authorities. These officials may have access to records as part of an audit or program review or to ensure compliance with Title IV program requirements.

- Disclosure may be made if it is in connection with financial aid that the student received or applied for. Information may only be released if it is needed to determine the amount of the aid, the conditions for the aid, the student's eligibility for the aid, or to enforce the terms or conditions of the aid.

- Disclosure may be made to the student's parent, if the student is a dependent of the parent as defined by the Internal Revenue Service.

- Disclosure may be made to organizations that are conducting studies concerning administration of student aid programs on behalf of educational agencies or institutions.

Recording disclosures

Schools are required to keep a record of each request for access and each disclosure of personally identifiable student information. The record must identify the parties who requested the information and their legitimate interest in the information. This disclosure record must be maintained as long as the records themselves are maintained.

For more information about FERPA requirements, consult Chapter 3, Section 7, of *The 1995-96 Federal Student Financial Aid Handbook.*

2.8.9 Record Management Procedures

Filing original records

It is essential that schools maintain records related to Title IV programs in an organized manner. Good record management procedures assist institutions in carrying out daily functions associated with administering Title IV funds, filing required reports in an accurate and timely manner, and maintaining a clear audit trail.

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One important aspect of record management is careful and orderly filing of original records. Many schools establish individual, cumulative student aid files, separating documents within each student's file on the basis of award year.

Clear audit trail

Although it is important to keep original records used in processing financial aid, schools must also have a recordkeeping system that traces transactions involving those records. A school's recordkeeping procedures should allow for establishing and maintaining a clear (easily followed) audit trail. A clear audit trail is defined as maintaining required documentation that supports each transaction involving receipt or expenditure of federal funds.

A school may maintain records in a manual, paper-based system or in a computer database, or it may use a combination of these methods. Many schools that use automated systems to manage records also maintain paper files that contain original documents needed to support the electronic information stored in a database.

In-house control documents

The in-house control documents a school uses to manage records can vary on the basis of institutional policies and procedures. Some commonly used control documents include:

- a communication log that summarizes all in-person or telephone contacts with a student or about a student's financial aid;
- a document control card or checklist that monitors documents received against documents needed to process a student's financial aid;
- an award packaging worksheet or data entry form that shows how and when a student's award was packaged and by whom;
- a loan status card for each federal student loan program that tracks loan applications, disbursements, entrance and exit loan counseling, refunds, repayments, and collection activities (if applicable); and
- a student master record that contains financial aid information for a student for each award year.

Student master record

A student master record is used to record basic information relating to a student's application for and receipt of financial aid. The student master record typically contains:

- demographic information, such as name, address, date of birth, and citizenship status;
- enrollment information, such as admission status, enrollment dates, credits attempted and completed, and grade point average;
- need analysis information, such as Expected Family Contribution (EFC), family income, and cost of attendance (COA);
- award information, such as amounts and sources of funds awarded and whether awards were accepted or declined; and
- student account information, such as tuition and fee charges assessed, cash payments made by a student or parent, financial aid disbursements, and refunds and repayments.

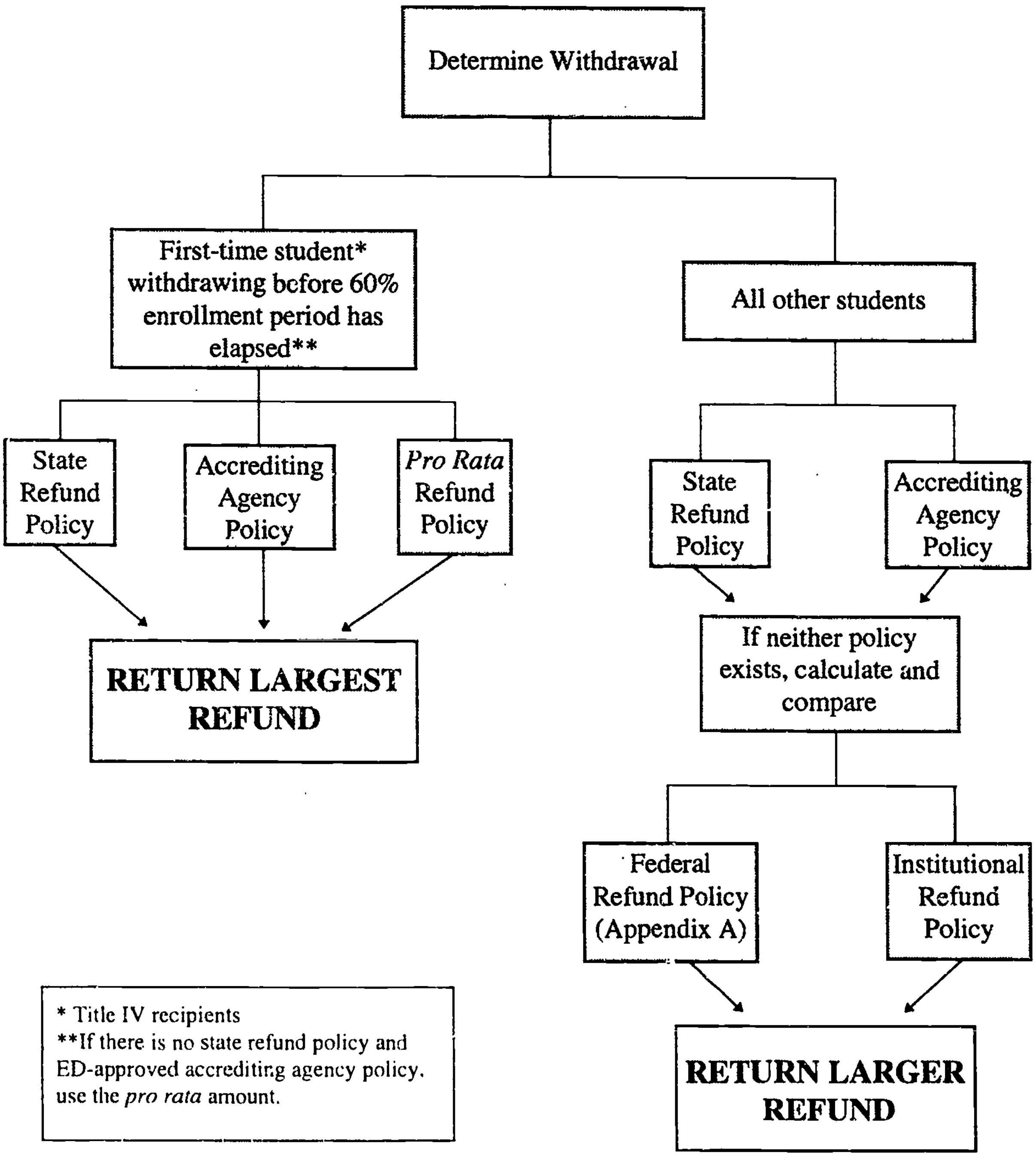
Automated recordkeeping

Automated recordkeeping systems are often designed so that information contained in the student master record can be imported from or exported to other school offices. For example, student demographic and enrollment information might be updated automatically from registrar records, while award information might be transferred electronically to business office records. Such systems ensure that a school's records are maintained in a consistent and accurate manner and reduce errors that can occur when data is transferred manually.

The quality of a school's recordkeeping can also be enhanced by using software systems that allow the school to retrieve and transmit information to and from organizations and agencies outside the institution. For example, financial aid offices using EDExpress receive need analysis information electronically, directly from ED's Central Processing System (CPS). Business offices using MEERS (Monthly Electronic Expenditure Reporting System) report expenditures of federal funds electronically, directly to the Department of Education Payment Management System (ED/PMS). In addition, many state scholarship agencies and guaranty agencies that participate in the Federal Family Education Loan (FFEL) Program have systems that allow schools to send and receive award and disbursement records electronically.

These systems can reduce significantly the time involved in processing a student's financial aid and improve the accuracy of information flowing to and from agencies outside the school.

The Refund Process



* Title IV recipients
**If there is no state refund policy and ED-approved accrediting agency policy, use the *pro rata* amount.

Chapter 3: Key Fiscal Procedures in Title IV Campus-Based Programs

Executive Summary

This chapter gives an overview of fiscal matters that pertain solely to Title IV campus-based programs (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan). Topics discussed include the funding process, federal and nonfederal shares of funding, administrative cost allowance, and transferring funds between programs.

Key Terms

administrative cost allowance (ACA)
allocation
carry forward/carry back
community service
Expanded Lending Option (ELO)
Federal Capital Contribution (FCC)
Fiscal Operations Report and Application to Participate (FISAP)
Institutional Capital Contribution (ICC)
Job Location and Development (JLD) Program
Level of Expenditure (LOE)
Work-College Program

3.1 Funding Process

Definition of campus-based

Title IV campus-based funds are allocated by the U.S. Department of Education (ED) to institutions that then, in turn, administer the funds on behalf of ED and in accordance with applicable laws and regulations. These programs are referred to as "campus-based" because they are managed directly by schools rather than by ED.

FISAP

To receive Title IV campus-based funds, eligible institutions must apply for the funds annually. Schools must also report on their use of Title IV campus-based funds on an annual basis. The report used to satisfy both these requirements is the Fiscal Operations Report and Application to Participate (FISAP). The FISAP is covered in detail in Chapter 6 of this book. What follows here is a discussion of the fiscal principles that underlie and affect an institution's application for, and use of, campus-based funds.

3.1.1 Application Process

*The actual submission deadline for the FISAP is set each year by ED. Refer to the front page of the "FISAP Instruction Booklet" for the deadline date of the applicable year.

To receive campus-based funds for one or more campus-based programs, schools must submit a FISAP to ED for each award year that they wish to receive funds. The deadline for filing the FISAP is October 1* of the calendar year that precedes the award year. For example, for 1996-97 award-year funding, institutions must file a FISAP by October 1, 1995.

Electronic FISAP

All schools are required to apply using the Electronic FISAP; the paper version has been discontinued. The Electronic FISAP is a software package provided by ED that allows schools to submit FISAP data by mailing a diskette or magnetic tape *or* by transmitting data by modem. Electronic FISAP packages and instruction booklets are distributed to eligible institutions no later than August 1 each year.

Application section of FISAP

The section of the FISAP used to apply for funds collects information about:

- the amount of funds the institution is requesting for making awards to students and covering administrative costs,
- the students enrolled at the institution, including eligible aid applicants,
- assessments of the institution's tuition and fees, and
- the institution's expenditures of Federal Pell Grant funds and state grant and scholarship funds.

ED then uses these data to determine the amount of federal funds the school will receive from one or more of the campus-based programs. This amount is called an "allocation."

3.1.2 Allocation Process

Allocation formulas

ED determines a school's allocation of campus-based funds using allocation formulas prescribed in federal law as well as funding levels appropriated by Congress. However, an institution will not receive an allocation that exceeds the amount of funds it requested on the FISAP, even if it is eligible for additional funds.

Official Notice of Funding

In March each year, ED sends schools an "Official Notice of Funding" to notify them of their final allocations for each campus-based program. This notice is a school's authorization to spend up to the amount of federal funds listed for each campus-based program in which it participates and for which it has requested funds. Sample copies of an "Official Notice of Funding" for initial and supplemental allocations can be found on pages 79 and 81 of this chapter.

Schools might not use their total allocations of campus-based funds during an award year. If they do not, they are required to return unexpended allocations of federal funds to ED so that the money can be reallocated to schools that need additional campus-based funds as supplemental allocations. This release of unexpended allocated funds is called "deobligation."

Deobligation of campus-based funds

In June each year, ED sends schools a letter requesting that they deobligate funds not spent by June 30 of that year and report the amount of funds they expect to have used by that date. If a school deobligates 10 percent or more of its initial (final) allocation (plus any supplemental allocation of funds from any campus-based program), the allocation for that program for the next award year will be reduced by that same amount, *unless* the school can show just cause for underutilizing the funds in a waiver request that is submitted to and approved by ED. The funding reduction may be waived by ED if it finds that enforcing the funding reduction would be counter to the interests of the affected campus-based aid program.

3.2 Federal and Nonfederal Shares of Funding

The total amount that a school may spend on any campus-based program is a dollar figure composed of both federal and nonfederal funds. For each program, there are rules for determining what share of the total amount may come from federal funds and what share of the total amount must come from nonfederal funds. (The nonfederal share was formerly referred to as a matching requirement.)

3.2.1 Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Federal share

The federal share of FSEOG awards made to students may not exceed 75 percent of the total FSEOG awards made by the school. The school must

Nonfederal share

contribute a nonfederal share of 25 percent. There are three methods by which an institution may meet the 25 percent nonfederal share requirement for FSEOG:

- Individual FSEOG recipient basis—The school may provide its share to each individual FSEOG recipient together with the federal share such that each student's total FSEOG award consists of 25 percent nonfederal dollars and 75 percent federal dollars. A school using this method calculates and documents on a student-by-student basis what portion of the student's FSEOG award comes from federal funds and what portion comes from nonfederal funds.

- Aggregate basis—The school may ensure that the sum of all funds awarded to all FSEOG recipients in a given award year consists of 75 percent federal dollars and 25 percent nonfederal dollars. A school using this method calculates and documents on an aggregate basis what portion of total federal *and* nonfederal dollars awarded to all FSEOG recipients comes from federal funds and what portion comes from nonfederal funds.

  For example, if a school awards a total of $60,000 to all FSEOG recipients in 1995-96, it must ensure that $45,000 comes from federal funds and $15,000 comes from nonfederal funds. The school may meet this requirement by awarding nonfederal funds to FSEOG recipients on a student-specific basis. For example, if the school makes a total of $60,000 in FSEOG awards to a total of 100 students, the entire nonfederal share may be met by awarding a total of $15,000 in nonfederal monies to only five FSEOG recipients. However, each FSEOG recipient must receive some FSEOG federal funds.

- Fund-specific basis—The school may establish an FSEOG fund into which it deposits federal program funds and the required 25 percent nonfederal share. Awards to FSEOG recipients are then made from this "mixed" fund. A school using this method first creates a pool of funds containing 75 percent federal dollars and 25 percent nonfederal dollars, then makes FSEOG awards to students from this pooled fund.

Sources of nonfederal share

The nonfederal share of FSEOG funds may come from the school or a source other than the school itself. Allowable nonfederal sources include institutional grants and scholarships, tuition or fee waivers, state scholarships, or foundation or other charitable organization funds.

3.2.2 Federal Work-Study (FWS) Program

Federal share

The federal share of FWS wages paid to students employed other than by a private for-profit organization may not exceed 75 percent. (The 75 percent applies to expenditures for FWS wages, not administrative cost allowance.)

Nonfederal share

Schools must provide at least 25 percent of their total FWS wages from nonfederal sources. For example, if a school wanted to spend $45,000 of its FWS federal funds for student wages, it would be required to provide at least $15,000 in nonfederal funds. A total of $60,000 would then be available to pay student wages under the FWS Program.

Exceeding minimum nonfederal share

Schools are allowed to provide more than the required minimum 25 percent nonfederal share. For example, if a school received $60,000 in federal funds and wished to spend a total of $100,000 for student FWS wages, it would be allowed to spend $40,000 of nonfederal funds to do so. In this example, the federal share of total earned compensation under the FWS program expenditures would be 60 percent, while the nonfederal share would be 40 percent.

Private-sector jobs

For off-campus FWS jobs with private, for-profit organizations, the federal share of wages paid to students is limited to 50 percent. The school and/or employer must provide a nonfederal share of at least 50 percent. The school and employer may contribute a nonfederal share that exceeds the required 50 percent. However, that amount may not exceed 25 percent of the sum of a school's current year initial (final) and supplemental allocations.

Sources of nonfederal share

Nonfederal FWS funds may come from any resource available to a school:

- The school can pay the nonfederal share from its own funds or other nonfederal sources, outside funds from an off-campus employer, or a combination of these types of funds.

- Schools can also pay the nonfederal share in the form of noncash contributions of services and equipment, such as tuition and fees, room and board, books, and supplies.

Community service employment

As a result of campus-based program regulations issued in November 1994, a school participating in the FWS Program is required to spend at least 5 percent of its initial (final) and supplemental allocations annually to compensate students employed in community service activities. However, a school may request a waiver of this requirement in writing. ED will approve a waiver only if ED decides that a school has proved that enforcing the requirement would cause a hardship for its students.

Work-College Program

The Higher Education Amendments of 1992 authorized the Work-College Program. Schools that satisfy the stringent definition of "work colleges" may apply to ED to participate in the program. Federal funding is available for the 1995-96 award year; schools can also transfer FWS and Perkins Loan funds to the Work-College Program.

A "work college" means an eligible public or private nonprofit school with a commitment to community service. The school must meet the following criteria:

- have operated a comprehensive work-learning program for at least two years,
- require all students who reside on campus to participate in a comprehensive work-learning program,
- have a program that serves as an integral part of the school's educational program and is part of the school's educational philosophy, and
- provide students in the comprehensive work-learning program with an opportunity to contribute to their education and to the welfare of the community.

JLD Program

The Job Location and Development (JLD) Program enables schools to expand off-campus job opportunities for students. Off-campus employers, rather than schools, pay students whose jobs are located or developed through the JLD Program. Because no federal funds are used to pay wages, students are not required to meet standard FWS eligibility criteria.

A school may use up to 10 percent or $50,000 (whichever is less) of its FWS allocation to establish or expand a program to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either profit or nonprofit employers.

The federal funds that a school sets aside from its FWS allocation for JLD expenses may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or in services.

More information about JLD can be found in Chapter 7, Section 6, of *The 1995-96 Federal Student Financial Aid Handbook.*

3.2.3 Federal Perkins Loan Program

FCC and ICC

The amount of new Federal Perkins Loan Program funds provided to an institution for an award year by the federal government is called the federal capital contribution (FCC). Schools must provide an additional share from their own funds called the institutional capital contribution (ICC). The ICC must equal or exceed one-third (33 1/3 percent) of the FCC *or* one-quarter (25 percent) of the combined FCC and ICC. For example, if a school received an FCC of $3,000, it would be required to provide an ICC of at least $1,000, for a combined amount of $4,000. Schools participating in the Expanded Lending Option (ELO) are required to provide an ICC that matches the FCC dollar for dollar, which is a 50 percent nonfederal share and a 100 percent match.

Expanded Lending Option

Level of Expenditure

The total amount of Federal Perkins Loan funds allocated to an institution for a given award year is equal to the total of the FCC plus the ICC. Note that this allocation differs from the institution's approved Level of Expenditure (LOE). The allocation represents "new" money added to a school's established Federal Perkins Loan fund and is used to make loans to students and to pay administrative and collection costs. The LOE is the maximum dollar amount that ED allows a school to expend from its loan fund in a given award year. This includes all authorized expenditures for the program, such as all loans to students, ACA, and collection costs. The LOE equals the total of ICC, FCC, funds available from the school's collection of Federal Perkins Loans in repayment, and anticipated cash on hand. To increase the LOE, schools go through the appropriate ED Regional Administrator.

3.3 Administrative Cost Allowance

Schools are allowed to claim an annual administrative cost allowance (ACA) from campus-based program funds from which they have made awards to students during a given award year. The ACA is considered part of the institution's total program expenditures, not an additional amount of money given the school.

Allowable uses of ACA

Schools may claim an ACA to help them defray costs associated with administering Title IV campus-based programs, such as salaries, supplies, and equipment. ACA may also be used for service fees charged by banks for maintaining campus-based program accounts, including the Federal Perkins Loan fund, and for expenses related to student consumer-information requirements.

Claiming ACA from campus-based expenditures

The amount of ACA a school may claim is determined by its expenditures for the Title IV campus-based programs in which it participates. In this sense, "expenditures" means:

- FSEOG award disbursements (grants made) to students, including both the 75 percent federal and 25 percent nonfederal shares,
- FWS gross compensation (wages paid) to students, including both the 75 percent federal and 25 percent nonfederal shares, and
- Federal Perkins Loan advances (loans made) to students.

Calculating amount of ACA

ACA is calculated as a percentage of a school's campus-based program expenditures, as follows:

- 5 percent of the first $2,750,000 of expenditures, *plus*
- 4 percent of expenditures greater than $2,750,000 but less than $5,500,000, *plus*
- 3 percent of expenditures greater than $5,500,000.

A school takes ACA out of its annual FSEOG and FWS allocations and from available cash on hand in the Federal Perkins Loan fund. A school may draw its ACA from any combination of campus-based programs *or* it may take the total ACA from only one program, provided there are sufficient funds in that program. However, a school may not draw any part of its ACA from a campus-based program *unless* it disbursed funds to students from that program during the award year.

3.4 Funds Available for Awards

Schools may increase the amount of funds available for awards from a given campus-based program by transferring funds from another program. Schools may also carry FWS funds back to the prior year or forward to the next year.

There are specific rules that schools must follow to access funds in these ways.

3.4.1 Transferring Funds Between Campus-Based Programs

As of July 1, 1993, schools may no longer transfer FSEOG funds to any other campus-based program. Formerly, such transfers were permitted.

Transferring FWS to FSEOG

A school may transfer up to 25 percent of its annual FWS federal allocation to FSEOG. This 25 percent maximum is based on a school's current award year allocation and includes both original and supplemental FWS allocations. FWS funds transferred to FSEOG must be counted as federal funds when determining the nonfederal share required for FSEOG. FWS funds carried forward to the next year or carried back to the prior year do not change the basis for the 25 percent maximum transfer. (See section 3.4.2.)

Transferring Perkins Loan funds

A school may transfer up to 25 percent of its annual Federal Perkins Loan allocation to FSEOG and/or FWS. The total transfer cannot exceed 25 percent of the Federal Perkins Loan allocation, whether it is made only to one program or divided between the two programs.

Spending transferred funds

Transferred funds must be spent in accordance with the requirements of the program to which they have been transferred. Any transferred funds that are not spent by the end of the award year in which the transfer was made must be returned to the original program.

A flowchart illustrating the transfer of funds between campus-based programs can be found on page 83.

3.4.2 Federal Work-Study Carry Forward and Carry Back

If a school does not use all federal funds allocated for FWS in a given award year, the school may carry forward FWS funds to the next award year. Similarly, if a school needs additional funds to pay FWS wages in the current award year, the school may carry back FWS funds from the next award year's allocation.

Schools are allowed to:

- carry forward up to 10 percent of the preceding year's FWS allocation to cover expenditures in the current award year,
- carry forward up to 10 percent of the current year's FWS allocation to cover expenditures in the next award year,
- carry back up to 10 percent of the current year's FWS allocation to cover expenditures incurred at any time in the preceding award year, and
- carry back up to 10 percent of the next year's FWS allocation to cover expenditures incurred at any time in the current award year.

A flowchart illustrating how FWS funds may b carried forward and carried back can be found on page 84.

Carrying back funds for summer employment

Schools may also carry back and expend in the previous award year any portion of their FWS allocations for the current award year to pay student wages earned from May 15 through June 30 of the previous award year (that is, for summer employment).

Details on reporting funds carried forward and carried back can be found in Chapter 6.

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UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

OE FILE

SOUTHEAST IDAHO COMMUNITY COLLEGE
BOX 4324
BARFIELD ID 74833

DATE: MARCH 20, 1995
ENTITY NO: 5739485477B8

OFFICIAL NOTICE OF FUNDING FOR THE FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT, FEDERAL WORK-STUDY AND/OR FEDERAL PERKINS LOAN PROGRAMS

GRANT PERIOD: JULY 1, 1995 THROUGH JUNE 30, 1996

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPO TUNITY GRANT PROGRAM

DOCUMENT NUMBER: P007A51408 $81,762

CAN: 5E002198 APPROPRIATION NO:915/60200(165)O.C.C. 41.31

FEDERAL WORK-STUDY PROGRAM

DOCUMENT NUMBER: P033A51408 $42,529

CAN: 5E002202 APPROPRIATION NO:915/60200(165)O.C.C. 41.31

FEDERAL PERKINS LOAN PROGRAM

LEVEL OF EXPENDITURE: $195,667
DOCUMENT NUMBER: P038A51408

FEDERAL CAPITAL CONTRIBUTION $37,877

CAN: 5E002213 APPROPRIATION NO: 915/60200(165)O.C.C. 41.31

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Robert R. Coates

ROBERT R. COATES, DIRECTOR
CAMPUS BASED PROGRAMS
FINANCIAL MANAGEMENT DIVISION

97

UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

OE FILE

SOUTHEAST IDAHO COMMUNITY COLLEGE
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BARFIELD ID 74833

DATE: SEPTEMBER 11, 1995
ENTITY NO: 5739485477B8

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GRANT PERIOD: JULY 1, 1995 THROUGH JUNE 30, 1996

FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

DOCUMENT NUMBER:

CAN: APPROPRIATION NO: O.C.C. 41.31

FEDERAL WORK-STUDY PROGRAM	ADJUSTMENT	ADJUSTED AWARD
DOCUMENT NUMBER: P033F41408	$4,843	$49,285

CAN: 3E002527 APPROPRIATION NO: 912/30200(144) O.C.C. 41.31

FEDERAL PERKINS LOAN PROGRAM

LEVEL OF EXPENDITURE:
DOCUMENT NUMBER:

FEDERAL CAPITAL CONTRIBUTION

CAN: APPROPRIATION NO: O.C.C. 41.31

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Robert R. Coates

ROBERT R. COATES, DIRECTOR
CAMPUS BASED PROGRAMS
FINANCIAL MANAGEMENT DIVISION

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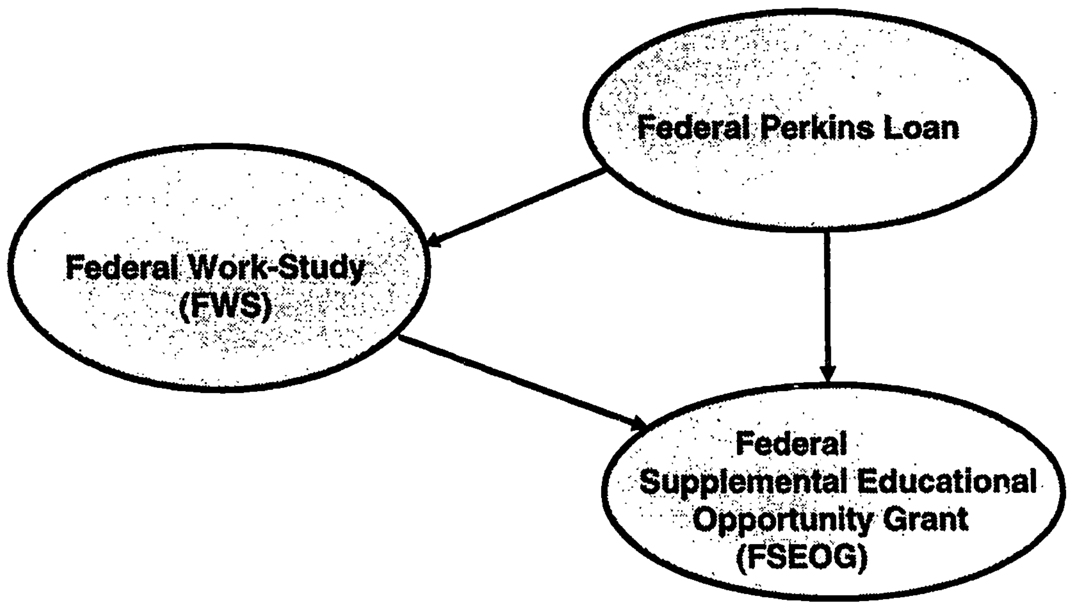
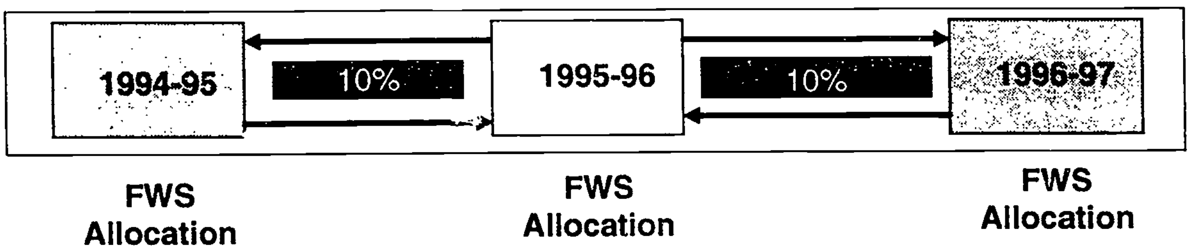
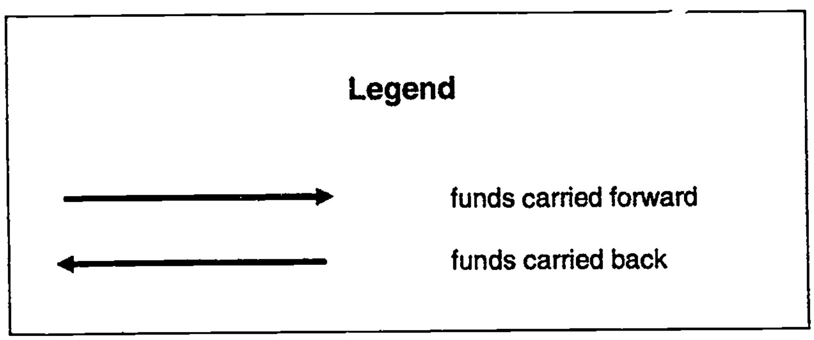
Transferring Funds Between Campus-Based Programs



(Note: No funds can be transferred *from* FSEOG)

Federal Work-Study Carry Forward/Carry Back





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Chapter 4: Obtaining, Managing, and Returning Title IV Funds

Executive Summary

Schools that participate in Title IV programs are responsible for establishing and maintaining an internal financial management system that effectively controls and accounts for federal funds received, payments made to students, and funds returned to ED.

This chapter contains guidelines that schools must follow to ensure sound cash management practices. Much of the information in this chapter is based on new cash management regulations published December 1, 1994 that became effective July 1, 1995 (34 CFR 668, Subpart K). These regulations established, for the first time, uniform rules and procedures that a school must follow to request, maintain, disburse, and otherwise manage Title IV program funds. A copy of the *Federal Register* containing these regulations is included at the end of this chapter.

Key Terms

Accounts Receivable Management Group (ARMG)
ACH/EFT
advance payment
allowable charges
Automated FEDWIRE System
cash management
cash on hand
credit balance
current value of funds rate
delayed disbursement
delivery
direct deposit
disbursement
early payment
ED/PMS
electronic funds transfer (EFT)
enrolled
enrollment period
excess cash
excess funds
Federal Reserve Bank (FRB)
FEDWIRE
Financial Payments Group (FPG)
Financial Services (FS)
immediate need
issuing checks
master check
National Finance Center (NFC)
payment period
peak enrollment period
reimbursement payment
UCC-1 statement

4.1 Overview of Cash Management

Governing standards

To ensure adequate cash management practices, a school must have in place a cash management system that adheres to federal regulations and other standards. A school's cash management practices are governed by:

- generally accepted accounting principles (GAAP),
- standards prescribed by the Office of Management and Budget (OMB),
- U.S. Department of Treasury (Treasury) regulations, and
- U.S. Department of Education (ED) regulations.

(Specific information about OMB standards and Treasury regulations can be found in Chapter 5 of the Department of Education Payment Management System [ED/PMS] *Recipient's Guide*.)

Minimum requirements

At a minimum, a school should establish internal cash management standards and practices to ensure that:

- the school official who authorizes requests for federal funds knows the school's available funds balance when making requests;
- the cash balance maintained for all programs is the minimum needed to cover immediate disbursements;
- the school's cash management system tracks drawdowns and disbursements of funds, showing that for every drawdown there is an equal disbursement (however, this is not necessarily the case for adjustments); and
- the school's cash management system contains adequate controls so that the school does not spend more funds than it has authority to spend (except in limited circumstances, a school may not request or hold excess funds for future disbursements). See section 4.8.1.1 of this book and Section 668.166 of the December 1, 1994 *Federal Register* for excess cash tolerances.

4.2 Requesting Funds

Schools request funds for all Title IV program expenditures directly from the federal government, with the exception of the Federal Family Education Loan (FFEL) Program. FFEL Program funds are obtained by schools from banks, savings and loan organizations, credit unions, and other financial institutions that serve as FFEL Program lenders. (See section 4.6.)

FFEL funds

Schools request federal funds via the Department of Education Payment Management System (ED/PMS). (ED/PMS is discussed in detail in sections 4.2.1- 4.2.2, 4.4.1-4.4.4, and 6.3 of this book.) ED/PMS pays funds to schools using one of two electronic systems:

ED/PMS

- Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT)—A school contacts the ED/PMS service bureau and the bureau sends the request to ED/PMS for validation (approval). If approved, ED/PMS electronically transfers a school's payments through the Federal Reserve Bank (FRB) network to the school's depositor account at a designated financial institution. ACH/EFT also is referred to as direct deposit.

ACH/EFT

- FEDWIRE—A school contacts the Financial Payments Group (FPG) in ED to request funds. The funds are then transferred directly from ED through the FRB network to the school's depositor account at a designated financial institution. FEDWIRE is generally used to transfer funds to states and some large postsecondary institutions.

FEDWIRE

ED/PMS may pay schools in advance (*before* Title IV program funds are disbursed to students), or a school may be paid by reimbursement (*after* institutional funds have been disbursed to students). **Note:** No school chooses to be paid by reimbursement.

4.2.1 Advance Payment Method

ED/PMS pays most schools in advance. Under the advance payment method, ED/PMS accepts a school's request for cash and electronically transfers the amount requested to the school's bank account via ACH/EFT or FEDWIRE.

Request may not exceed need

A school's advance request for cash may not exceed the amount of funds the school needs within two to three business days to make disbursements to students. A school must make the disbursements as soon as administratively feasible but no later than three business days following the date the school receives the funds.

More information about the advance payment method can be found in Chapter 3 of the ED/PMS *Recipient's Guide.*

4.2.2 Reimbursement Payment Method

Placing schools on reimbursement

A school may be placed on reimbursement if ED determines that there is a need to monitor the school's use of federal funds or if a school has monetary liabilities that need to be recovered by administrative offset (for example, owing funds to ED as a result of an audit or program review finding).

The Regional Office of ED that had ED/PMS place the school under the reimbursement payment method will tell the school how to request payment. The procedure begins with the school filling out a Request for Advance or Reimbursement Form (SF-270) and sending it to the Regional Office for approval. After approving the request, the Regional Office sends it to the Compliance and Enforcement Division in the Central Office for approval. After approving the request, that division authorizes the Financial Payments Group (FPG) of ED/PMS to send an ACH/EFT payment to the school. FPG must have written authorization from the Compliance and Enforcement Division before an ACH/EFT payment can be sent.

Under the reimbursement payment method, a school must make disbursements to eligible students before it may submit a request to ED/PMS for cash. The amount of the school's request may not exceed the amount of actual disbursements the school made to students included in the request.

Documentation required to support request

ED/PMS may require a school to submit documentation that each student included in a request was eligible to receive and did receive payment for Title IV program funds for which the school is requesting reimbursement.

Requirements for approving requests

ED/PMS approves a school's request for reimbursement and electronically transfers the requested amount to the school's bank account if:

- the school properly determined each student's eligibility for Title IV program funds;
- the school made payments to students for the correct amounts of Title IV program funds;
- the school submitted any required documentation to support its request for reimbursement; and
- sufficient funds are available to the school in the ED/PMS payment system.

More information about the reimbursement payment method can be found in Chapter 3 of the ED/PMS *Recipient's Guide*.

4.3 Projecting Cash Needs

Advance payment schools

A school on advance payment must determine the amount of funds it needs before it transmits a request to ED/PMS. The amount requested must be limited to the minimum amount needed to make disbursements, so that excess funds do not exist after disbursements are made. The amount must be enough to meet:

- Federal Pell Grant disbursements to students,
- the federal share of Federal Supplemental Educational Opportunity Grant (FSEOG) disbursements to students,
- the federal share of Federal Work-Study (FWS) payroll disbursements.
- the federal share of Federal Perkins Loan disbursements, and
- Federal Direct Loan disbursements.*

* Direct Loan funding requests must be made separately; they may not be combined with cash requests for other Title IV program funds. (See section 4.3.2.3.)

The following equation may be used to calculate projected cash needs:

Formula

Anticipated Disbursements - Balance of Cash On Hand - Anticipated Recoveries - ACH/EFT Cash in Transit = Projected Cash Needs

In general, a school's request for funds should not exceed its immediate need. (See section 4.8.1.)

4.3.1 Immediate Need

Immediate need

Immediate need is defined as the amount of Title IV program funds a school needs to make disbursements within three business days following the date that the school receives the funds. This definition of immediate need applies to all Title IV program funds, regardless of whether the school draws down funds through Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT) or through FEDWIRE. Amounts received beyond immediate need result in excess cash. (See sections 4.8, 4.8.1.1, and 4.8.1.2.)

Formerly, immediate need for FEDWIRE drawdowns was defined as one business day. This period was changed to three business days in the cash management regulations that became effective July 1, 1995.

Immediate need is determined by the amount of cash a school needs to make disbursements to students within a specified period of time. As long as the school makes disbursements within that time period, including disbursements made by issuing checks properly, it has satisfied the immediate need standard. (See section 4.7.2.2.)

4.3.2 Special Program Considerations

To accurately determine the total amount of Title IV program funds needed to make disbursements, a school must consider certain program-specific requirements for each Title IV program.

4.3.2.1 Federal Pell Grant Program

Valid SAR or ISIR

A school may pay Federal Pell Grants to students only on the basis of a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR).

A school must establish a system for tracking the status of these documents and determining when a student's Federal Pell Grant award is ready to be paid. (See section 6.1.1.)

Federal Pell Grant authorization

The maximum amount of Federal Pell Grant funds a school may draw down is based on the school's Federal Pell Grant authorization, as reported to the school in its Statement of Account (SOA). The first SOA received by a school for an award year contains ED's estimate of the amount of funds the school will need to make first disbursements to students. As the award year progresses, the school receives adjusted authorizations on the basis of student payment information reported in the school's Institutional Payment Summary (IPS) or electronic equivalent. (See section 6.1.1.3.) *At no time during an award year may a school's request for Federal Pell Grant funds exceed the amount authorized in its current SOA.*

4.3.2.2 Campus-Based Programs

Each campus-based program—Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Federal Perkins Loan—requires that awards made to students be a combination of both federal and nonfederal funds. (See section 3.2.)

Federal share of funds

To accurately determine its immediate cash need for campus-based programs, a school must calculate the portion of disbursements from each program that may be attributed to federal funds. *The amount of funds drawn down represents only the federal share.*

Program allocations

The maximum amount of federal funds a school may draw down from each campus-based program is based on the school's allocation for that program, as reported to the school in its Official Notice of Funding from ED. (See section 3.1.2.)

FSEOG Program

For the FSEOG Program, a school must time its drawdowns to coincide with the dates it expects to disburse FSEOG funds to students. Disbursement dates must be determined in accordance with 34 CFR 668.165(c). (See section 4.7.3.) FSEOG disbursements must be made within a three-day period following the date funds were drawn down.

FWS Program

For the FWS Program, a school must time its drawdowns to coincide with its payroll dates. A school must estimate the amount of federal funds needed to meet payroll for a given pay period and draw down only the appropriate federal share of wages to be paid. Student wages must be paid within a three-day period following the date funds were drawn down.

Federal Perkins Loan Program

For the Federal Perkins Loan Program, a school must determine whether the cash available in its Federal Perkins Loan fund is sufficient to make loan advances to students. A school may draw down the federal capital contribution (FCC) only if the amount of Federal Perkins Loan funds on hand is not enough to cover disbursements. A school must time its drawdown of FCC to coincide with the dates it expects to advance (disburse) loans to students. Disbursement dates must be determined in accordance with 34 CFR 668.165(c). (See section 4.7.3.)

4.3.2.3 William D. Ford Federal Direct Loan Program

Direct Loan funding requests are initiated only by schools that participate in the William D. Ford Federal Direct Loan Program (Direct Loan Program) under school origination (Level 1). The Direct Loan Servicing Center initiates funding requests for schools that participate under school origination (Level 2) and under alternative origination (Level 3). (See section 4.4.5.)

No authorization level

Unlike the Federal Pell Grant Program and the campus-based programs, there is no school allocation or authorization level for the Direct Loan Program. Schools participating in the Federal Direct Loan Program determine drawdown amounts on the basis of the amount of funds needed to make loans to eligible borrowers. The school draws down only the net amount of the loan. Loan fees are deducted prior to drawdown.

Estimating cash needs

A Direct Loan school estimates the amount of funds it needs to make anticipated disbursements on an ongoing basis. A school can use the Direct Loan software or its own school computer system to calculate the amount of funds needed. Loan records flagged in the system as "eligible for payment" will be included in the computer-generated estimate of funds needed. The school may need to adjust this figure to account for Direct Loan funds on hand and anticipated recoveries and cancellations. For each loan eligible for payment, the Direct Loan software deducts a 4 percent loan fee from the gross disbursement amount and counts only the net amount of the disbursement in the estimate of funds needed.

Promissory notes

A school is not required to collect a signed, completed promissory note from a borrower before *drawing down funds* for that borrower. However, a school may not *disburse funds* to any borrower until it has received the borrower's executed, legally enforceable promissory note.

More information about drawing down Direct Loan funds can be found in sections 4.4.5.1 and 4.4.5.2 of this book and in Chapter 6 of the *Direct Loan School Guide*.

4.4 Drawing Down Federal Cash

Once a school has determined its cash needs for a given time period, it may initiate the process of drawing down funds.

4.4.1 Overview of ED/PMS

ED/PMS is the central repository for payment transactions of schools that receive funds from ED through Financial Services (FS). ED/PMS is a system; FS is the office within ED that administers the system.

Title IV funds drawn down

A school uses ED/PMS to draw down funds for:

- the Federal Pell Grant Program,
- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program,
- the Federal Work-Study (FWS) Program,
- the Federal Perkins Loan Program, and
- the Federal Direct Loan Program (Level 1 schools only; Level 2 and alternative origination [Level 3] schools do not request [draw down] funds from ED/PMS.).

Note: Federal Direct Loan Program expenditures are not reported through ED/PMS 272 Reports. (Information on Federal Direct Loan Program reporting is contained in section 6.1.2, and information about reporting other Title IV program expenditures through ED/PMS 272 Reports is contained in section 6.3.2.)

ED/PMS account

For the Federal Pell Grant Program, FSEOG, FWS, and Federal Perkins Loan Program, each school has an account with ED/PMS. Once a school receives an official award authorization or allocation, the authorization amount is recorded in the school's ED/PMS account. Once the start-date of an award authorization has occurred, a school may request payments against the funds available in its account. (**Note:** There is no award authorization for the Federal Direct Loan Program. Each school has a separate ED/PMS account for its Direct Loan funds. See section 4.3.2.3.)

Advance payment method

A school may receive funds through ED/PMS in advance or by reimbursement. ED/PMS mainly uses the advance payment method because it provides flexibility and the ability to handle the large volume of funding requests ED/PMS receives. A new institutional recipient is not entitled to draw down funds until it receives a countersigned Program Participation Agreement from ED. If a school is a new recipient, it will be placed on advance payment as soon as ED/PMS receives information about the school's financial institution. (Reimbursement payment is discussed in section 4.4.4.)

In addition, a school may also receive other ACH/EFT payments for certain reimbursements such as Pell Grant and Direct Loan administrative allowances and Perkins Loan service cancellations.

Advance payment schools use one of two electronic methods to request funds from ED/PMS: ACH/EFT or FEDWIRE.

4.4.2 Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT)

Enrolling in ACH/EFT

Before an advance payment school can request and receive payments using Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT), the school must enroll in direct deposit with the Financial Payments Group (FPG) of ED's Financial Services (FS). This requires completing a Direct Deposit Sign-Up Form (SF-1199A). Once FPG receives a school's SF-1199A, it takes at least two weeks to enroll the school in ACH/EFT. This period includes time needed to verify school-provided enrollment information. (More information about enrolling in ACH/EFT can be found in Chapter 3 and Appendix A of the ED/PMS *Recipient's Guide.*)

Calling in requests

A school requests ACH/EFT direct-deposit payments by calling the ED/PMS service bureau's toll-free telephone number (1-800-654-8341). A school can call any business day from 9 a.m. to 7 p.m. (ET). However, requests made after 2 p.m. (ET) will not be forwarded to ED/PMS until the next business day. (Complete instructions for placing calls are contained in Appendix C and Appendix D of the ED/PMS *Recipient's Guide.*)

Processing requests

The service bureau sends a school's request to ED/PMS for validation. If the request meets ED/PMS validation criteria, payment will be transmitted to the Federal Reserve Bank (FRB) the next business day and the school will be able to withdraw funds from its bank account approximately two to three days later. If a school's request fails to meet ED/PMS validation criteria, the request will be rejected and sent to the school's FPG account representative for review. The FPG account representative will send the school a written notice explaining why the payment request was rejected. The FPG representative must respond with the written notice to the school within three working days.

Verifying and recording payments

A school should always check its bank account for an ACH deposit to make sure that an ED payment has been received before it begins disbursing funds. A school should also keep records of all payments it has requested. These records provide an audit trail of funds requested and help the school reconcile its accounts with the Federal Cash Transaction Report (ED/PMS 272A Report).

A detailed explanation of the ACH/EFT process can be found in Chapter 3 of the ED/PMS *Recipient's Guide.*

4.4.3 FEDWIRE

Enrolling in FEDWIRE

Enrollment in FEDWIRE is limited to states and some large postsecondary institutions, including large public institutions in a state. A school must be selected to enroll in FEDWIRE by the Financial Payments Group (FPG) of ED's Financial Services (FS). However, schools new to Title IV participation are no longer placed on FEDWIRE. Once a school has enrolled, FPG accepts FEDWIRE requests only from school personnel who have been designated by a school's authorizing official (usually, the school's chief fiscal officer or treasurer).

Automated FEDWIRE System

A school requests FEDWIRE payments through the Automated FEDWIRE System, a fully integrated subsystem of ED/PMS that runs on a mainframe computer located at the National Institutes of Health (NIH). This system allows schools to transmit FEDWIRE payment requests directly to the NIH computer using a PC and modem. When a school uses this system, the school will know immediately if a request is accepted or rejected through messages that appear on its computer screen. If a request is rejected, an error message will appear that explains the problem. The Automated FEDWIRE System reduces payment-request input errors and helps schools solve problems with payment requests quickly.

With FEDWIRE, a school's funds are available the next business day. (Only state agencies using CFDA codes [Catalog of Federal Domestic Assistance codes] may request same-day payments.) All recipients will be allowed to make same-day payment requests at some point in the future. To receive a same-day payment, the transaction must be completed no later than 12:30 p.m. (ET). For next-day payments, the transaction must be completed no later than 6:00 p.m. (ET).

A payment request will be sent to a school's bank no later than 3:00 p.m. (ET) through the Federal Reserve Bank (FRB) in Richmond, Virginia. If a school's bank does not process wire payments up to 3:00 p.m. (ET), the funds might not be available until the next business day (the second business day after the transaction). A school should be aware of this and check with its bank.

Calling in requests

A school may request FEDWIRE payments by calling FPG directly. This method is reserved for times when the automated system is malfunctioning or the school is having difficulty accessing the system. (This is not considered an alternative method.) FPG will accept phone calls between 8:30 a.m. and 3:30 p.m. (ET). The phone numbers for making requests are 202-401-2093, 202-401-1094, and 202-401-1092. These numbers should be used *only* for making and checking payment requests.

A school should always check its bank account to make sure that a FEDWIRE payment has been deposited before it begins disbursing funds. A school should also keep records of all payments it has requested. These records provide an audit trail of funds requested and help the school reconcile its accounts with the Federal Cash Transaction Report (ED/PMS 272A Report).

A detailed explanation of the FEDWIRE process can be found in Chapter 3 of the ED/PMS *Recipient's Guide*.

4.4.4 Reimbursement Payment Requests

Filing a request

Schools that have been placed on reimbursement do not request funds through ED/PMS. ED notifies these schools how to request payments. In most cases, a school completes a Request for Advance or Reimbursement Form (SF-270) and sends it to the appropriate ED Regional Office.

Receiving payment

After a school's request has been approved, ED sends the school's SF-270 to the Financial Payments Group (FPG) for processing. FPG generally uses direct deposit (ACH/EFT) to make reimbursement payments.

More information about reimbursement payments can be found in section 4.2.2 of this book and in Chapter 3 and Appendix I of the ED/PMS *Recipient's Guide.*

4.4.5 William D. Ford Federal Direct Loan Program

Procedures used to draw down funds for the William D. Ford Federal Direct Loan Program (Direct Loan Program) differ from those used to draw down other Title IV funds. In addition, requests for Direct Loan funds may not be combined with requests for other Title IV funds.

4.4.5.1 Schools Participating Under School Origination (Level 1)

Level 1 Direct Loan schools initiate their own funding requests. These requests are made separately from those requests made for Pell Grant, campus-based, and other ED program funds because Direct Loan funds come from a different appropriation than other ED program funds.

Requesting payment

Once a school has determined its immediate cash needs, it transmits either an ACH/EFT or FEDWIRE payment request to the ED/PMS service bureau. In the case of an ACH/EFT request, a Level 1 school can request Direct Loan funds by one of two methods. The school can either make an ACH/EFT request by telephone to the ED/PMS service bureau or the school can make a request by using the Export File Option in the Direct Loan software. In the case of a FEDWIRE request, a school requests Direct Loan funds by telephone to the ED/PMS service bureau. The service bureau validates the school's request and forwards it to ED/PMS for additional processing.

Level 1 schools should retain copies of their ACH/EFT or FEDWIRE Payment Request Records for Direct Loans to record those requests and to resolve any payment problems with ED/PMS.*

*Many schools choose not to exercise the software method because the school is not given a confirmation or control number from ED/PMS to record the request and to resolve any payment request problems with ED/PMS.

ED/PMS edits a school's drawdown request and creates an ACH/EFT payment file for transmittal to the Federal Reserve Bank (FRB). Any problems with requests are transferred to a holding file so ED personnel can either approve the transaction or contact the school to resolve the problem.

Direct deposit

The FRB receives the ACH/EFT file and transfers funds directly to the school's bank account. A school's bank should receive funds within 48 to 72 hours after the school transmits the drawdown request. FRB notifies ED if there is a problem with an ACH/EFT transmission or if a school's transaction is rejected. ED then contacts the school to resolve the problem.

4.4.5.2 Schools Participating Under Alternative Origination (Level 3) and School Origination (Level 2)

Schools participating in the Direct Loan Program under these options do not initiate funding requests. Rather, their funding requests are handled by the Direct Loan Servicing Center (Servicing Center).

The Servicing Center requests funds for schools using these participation options on the basis of records submitted to it by a school. For borrowers' records to be included in a funding request, a school must send the borrowers' loan origination records and promissory notes to the Servicing Center and the Servicing Center must accept the records.

The school designations Standard Origination and School Origination Option 1 do not apply until the 1996-97 award year. In 1995-96, Level 1 (all functions performed by schools) and Level 2 (school does not draw down from ED/PMS) and Alternative Origination are the designation levels of Direct Loan participation.

Approximately 30 to 45 days before the anticipated disbursement dates listed in the loan origination records, the Servicing Center sends an electronic list to the school that shows anticipated disbursements by borrower and by loan type. The school reviews the list and updates or adjusts the information, paying special attention to disbursement amounts and anticipated disbursement dates. The school then sends any changes to the Servicing Center. No paper is sent back and forth; the process is entirely electronic.

Anticipated disbursement roster

The Servicing Center requests a school's funds from ED three days prior to the anticipated disbursement dates. The same day the request is made, the Servicing Center creates and sends an electronic actual disbursement roster to the school that lists individual borrowers, their loan types, and their actual disbursement amounts, minus loan fees, as well as the total amount of funds included in the request. Level 2 and 3 schools should retain copies of their disbursement rosters as records of the funds they receive.

Actual disbursement roster

Funds are deposited directly into a school's bank account through the Automated Clearinghouse (ACH).

Direct deposit

4.5 Maintaining Funds

Cash management regulations published December 1, 1994 that became effective July 1, 1995 contain new guidelines that schools must follow to adequately manage federal funds. These include the following areas.

New regulations

4.5.1 Bank Accounts

A bank account into which ED transfers or a school deposits Title IV program funds must meet certain federal requirements. (Funds received from the Federal Family Education Loan [FFEL] Program are excluded from the requirements.)

For any award year, a school that participates in the Federal Perkins Loan Program must maintain Federal Perkins Loan funds in:

Perkins Loan funds

- an interest-bearing account that is
  - federally insured or

- ♦ secured by collateral of value equivalent to the amount of Title IV program funds in the account *or*

- an investment account that consists predominantly of low-risk income-producing securities, such as obligations issued or guaranteed by the United States government. If a school maintains federal funds in an investment account, the account must remain sufficiently liquid to make required disbursements to students.

Other Title IV funds

A school that does not participate in the Federal Perkins Loan Program must maintain other Title IV program funds in an interest-bearing account if it does not meet the criteria listed in the next paragraph. If applicable, the account must meet the same just-cited requirements.

For any award year, a school is not required to maintain an interest-bearing account if:

Exceptions to interest-bearing account requirement

- the school drew down less than $3 million from Title IV programs in the prior award year;

- the school earned less than $250 in interest on the total amount of Title IV program funds that it drew down in the prior award year and maintained in an interest-bearing account; *or*

- the school demonstrates by its cash management practices that it would not earn more than $250 in interest by maintaining in an interest-bearing account the total amount of Title IV program funds that it will draw down during the current award year.

Non-interest-bearing accounts

A school's non-interest-bearing account must be:

- federally insured *or*

- secured by collateral of value equivalent to the amount of Title IV program funds in the account.

Separate Title IV bank account

A school is not required to maintain a separate bank account for Title IV program funds. However, a school may be required to maintain all Title IV program funds in a bank account that contains no other type of funds if ED determines that:

- the school's accounting and internal control systems do not
  - ♦ identify cash balances of Title IV program funds maintained in the school's bank account as readily as if those funds were maintained for each program in a separate account, or
  - ♦ identify adequately the interest or investment revenue earned on Title IV program funds maintained in the school's bank account; *or*
- the school's financial records
  - ♦ are not maintained on a current basis,
  - ♦ do not accurately reflect all Title IV program transactions, or
  - ♦ are not reconciled at least monthly; *or*
- the school has otherwise failed to comply with recordkeeping and reporting requirements required by applicable federal regulations.

Designating federal funds in accounts

Regardless of the type of account or number of accounts in which a school maintains Title IV funds, the school must properly indicate that the account(s) contain federal funds. A school may meet this requirement by:

- notifying its bank of the accounts that contain federal funds and retaining a copy of that notice in its records *or*
- ensuring that the name of the account clearly discloses that federal funds are maintained in the account.

A school need only notify the bank once that its account(s) contain federal funds, unless the school changes its bank account(s).

UCC-1 statement

In addition, a school must file a UCC-1 statement (which discloses that the account contains federal funds) with an appropriate state or local government entity; the school must maintain a copy of this statement in its records. The format and content of these forms vary from one state to another. Blank

UCC-1 statements are available from local legal office supply stores. In addition, UCC-1 statements and information about filing them are available from the State Corporation Council or Secretary of State located in your state.

Although this is an ED requirement, ED will not take adverse action against an institution that does not file a UCC-1 statement, *if* the institution is either backed by the full faith and credit of a state (in the case of a public institution) or if the institution inserts the word "Federal" in the name of its bank account containing Title IV aid funds (such as, ABC School Federal Account). Conversely, a non-public institution that either chooses not to insert "Federal" in the name of its bank account containing these funds, or is precluded from doing so, must file a UCC-1 statement.

4.5.2 Interest Earnings

Returning interest earnings

A school must remit to ED, at least annually, the interest or investment revenue earned on Title IV program funds maintained in an interest-bearing or investment account. There are two exceptions to this rule:

Retaining interest earnings

- A school may retain and use all interest or investment revenue earned on Federal Perkins Loan Program funds for authorized purposes of the Federal Perkins Loan Program.

- Other than interest or investment revenue earned on Federal Perkins Loan funds, a school may retain up to $250 per year of the interest or investment revenue earned on Title IV program funds to cover the school's administrative expenses.

Procedures for returning interest income to ED are discussed in section 4.8.2.5.

4.6 Obtaining Federal Family Education Loan (FFEL) Program Funds

The Federal Family Education Loan (FFEL) Program includes Federal Stafford Loans (subsidized and unsubsidized), Federal PLUS (parent) Loans, and Federal Consolidation Loans. (The Federal Supplemental Loans to Students [SLS] Program was eliminated by legislation as of July 1, 1994.) The discussion that follows concerns only subsidized and unsubsidized Federal Stafford Loans (Stafford Loans) and Federal PLUS Loans (PLUS Loans).

The means by which a school obtains FFEL Program funds differ from methods used to request and receive other Title IV program funds. FFEL Program loans are made to students and parents by banks, savings and loans, credit unions, and other financial institutions. A school obtains a borrower's funds directly from the borrower's lending institution or servicer.

Federal statute requires that proceeds from Stafford and PLUS Loans be disbursed directly to schools for delivery to borrowers. (Formerly, lenders were allowed to send PLUS checks directly to parent borrowers.)

For FFEL Program funds, the following distinction is made between the terms "disbursement" and "delivery."

Disbursement of FFEL funds

- Disbursement refers to the process by which a lender cuts a check and sends it to a school or transmits funds to a school electronically. Disbursement is considered to have occurred on the date that a lender writes and mails a check or deposits funds directly into a school's bank account.

Delivery of FFEL funds

- Delivery refers to the process by which a school makes FFEL funds available to a borrower. A school may deliver loan proceeds by paying a borrower directly or by crediting a student's account. Delivery is part of the disbursement process.

There are three methods by which a lender may disburse FFEL funds to a school on behalf of a student or parent borrower—electronic funds transfer (EFT), master check, or individual check.

4.6.1 Electronic Funds Transfer (EFT) and Master Checks

EFT

A school may receive a borrower's FFEL funds from a lender by electronic funds transfer (EFT). To do so, a school must enroll in EFT with the lender to enable the lender to deposit FFEL funds directly into the school's designated bank account.

Master check

A school may also receive a borrower's loan proceeds by master check if the school and lender have entered into an agreement to use master checks. A master check is a single check, written by a lender, that contains all the lender's FFEL Program funds for the school's borrowers as of a given disbursement date.

EFT and master check rosters

Both EFT and master check disbursements must be accompanied by a list of names, Social Security Numbers, and loan amounts of borrowers who are to receive a portion of the EFT or master check disbursement. The list enables a school to identify individual borrowers to whom loan proceeds must be delivered. A school must deliver loan proceeds to a student or parent borrower within 45 days of the date the funds were received by the school, notwithstanding other federal disbursement requirements. (See sections 4.7.2.3, 4.7.3, and 4.7.4.)

Time frames for requesting funds

In no case may a school request loan proceeds by EFT or master check earlier than 13 days before the first day of a student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement (see section 4.7.4), disbursement by EFT or master check may not be requested until the 24th day of the student's enrollment period.

Borrower authorization

A school must obtain a borrower's written authorization to receive his or her loan proceeds by EFT or master check. Authorization may be given in the borrower's loan application, or it may be obtained separately. If written authorization to disburse by EFT or master check is not given in the borrower's loan application, it must be obtained not more than 30 days before the beginning of the enrollment period for which the loan is intended.

4.6.2 Individual Checks

Co-payable checks

A school may receive a borrower's Stafford Loan or PLUS Loan proceeds from a lender in the form of an individual bank check made co-payable to the borrower and the school. The school then delivers the loan proceeds to the borrower. A school must deliver loan proceeds to a student or parent borrower within 45 days of the date the funds are received by the school, notwithstanding other federal disbursement requirements. (See sections 4.7.2.3, 4.7.3, and 4.7.4.)

PLUS checks

Co-payable PLUS checks must be sent directly to a school by a lender. A school must deliver PLUS loan proceeds to a parent borrower within 45 days of receiving a check. However, a school is not required to endorse a PLUS check before sending it to a parent borrower. The school may require the parent borrower to return the endorsed PLUS check to the school for the school to endorse it. The school then deposits it, and credits the student's account.

Time frames for requesting checks

In no case may a school request loan proceeds by co-payable check earlier than 30 days before the first day of student's enrollment period. If a Stafford Loan borrower is subject to delayed disbursement (see section 4.7.4), a school may not deliver Stafford Loan proceeds until 30 days after the beginning of the student's enrollment period. For these borrowers, a school must time its requests for Stafford Loan checks to ensure that funds are not held for more than 45 days before they are delivered to the student *and* that funds are disbursed within the required time frames. (See section 4.7.2.3.)

4.7 Disbursing Title IV Program Funds

Cash management regulations that became effective July 1, 1995 contain a specific definition of the term "disburse." To disburse Title IV program funds means to pay Title IV program funds to a student or to deliver the proceeds of a Federal Family Education Loan (FFEL) Program loan to a student borrower or parent borrower. A school may:

Allowable disbursement methods

- pay a student or parent directly,
    - by check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program or FFEL Program, requiring the endorsement or certification of the student's parent);
    - by initiating an electronic funds transfer (EFT) to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); or
    - by dispensing cash to the student for which the school obtains a signed receipt from the student; *or*
- credit a student's account. In the case of Direct Loans, a school must credit the student's account, if the school uses student accounts.

Notification of disbursement

Federal regulations require schools to notify a student or a parent borrower of the amount of Title IV program funds the student can expect to receive and how and when those funds will be paid.

4.7.1 Crediting a Student's Account

Crediting a student's account is defined as posting a payment of funds to a student's account. In the context of federal regulations governing Title IV programs, a student's account may be any recordkeeping system that a school uses to post institutional charges and payments of Title IV program funds. The system may be manual or automated.

Notification of loan funds credited to account

When a school credits a student's account with Federal Direct Loan Program or Federal Family Education Loan (FFEL) Program funds, it must provide written notice to the student borrower or parent borrower, as applicable, that these funds have been credited to the student's account. Such notification must be made in an "expeditious manner."

Prior-year charges

A school may not credit a student's account containing current Title IV program funds for any charges the school assessed the student in a prior award year or prior period of enrollment.

If a school credits a student's account with Title IV program funds, it may apply those funds only to allowable charges. Allowable charges include

Allowable charges

- tuition and fees,
- board, if the student contracts with the school for board, and
- room, if the student contracts with the school for room.

If a school obtains a student's or parent's written authorization to use Title IV program funds to pay other costs, allowable charges may also include:

- costs of attendance allowed by Section 472 of the Higher Education Act (HEA), as amended, and
- other institutional charges that a student incurs at his or her discretion.

A school may not require a student or parent to authorize the use of Title IV funds to pay other costs. Furthermore, if a student or parent opts to give such authorization to a school, the school must allow the student or parent to rescind the authorization at any time. (See section 4.7.6.)

4.7.2 Paying Students or Parents Directly

If a school does not credit a student's account with payments of Title IV program funds for allowable charges, it must pay the student or parent directly.

Some schools use more than one payment method, as discussed in section 4.7 of this book. For example, a school might credit a student's account for tuition and fees, then pay remaining Title IV funds directly to the student.

4.7.2.1 Electronic Funds Transfer (EFT)

A school may pay a student or parent by transmitting Title IV program funds directly to the student's or parent's designated bank account. The school must obtain written authorization from the student or parent to pay Title IV funds through electronic funds transfer (EFT). (See section 4.7.6.)

4.7.2.2 Issuing Checks

A school may pay a student or parent by issuing a check and charging it directly to its federal program accounts. However, as discussed in section 4.7, a Direct Loan school must credit the student's account, if the school uses student accounts.

FFEL checks

For loans made under the FFEL Program, the check issued may be the co-payable check sent to the school by a lender. A school may endorse a lender's Federal Stafford Loan or Federal PLUS Loan check and issue that same check to the student borrower or parent borrower as payment of the loan proceeds. Or the school can have the borrower sign the check, the school endorses the check and deposits it, and then the school credits the student's account. The funds credited are either used to pay allowable charges or, with the borrower's permission, are held as funds in excess of allowable charges. (See section 4.7.2.3.)

Checks drawn on a school bank account

For all Title IV program funds, a school may issue checks drawn from the bank account in which the school maintains federal funds or from the school's own account. In either case, delivery to the student or parent is considered to have occurred on the date the school makes the check available.

Issuing a check properly

To properly issue a check for Title IV funds, including FFEL funds, a school must release, distribute, or otherwise make the check available by:

- mailing the check to the student or parent *or*
- notifying the student or parent in an "expeditious manner" that the check is available, on request, for immediate pickup.

4.7.2.3 Credit Balances

Prompt payment of credit balance required

When a school applies Title IV program funds to a student's account receivable and determines that the amount of the funds exceeds allowable charges, the school must pay the credit balance directly to the student or parent borrower as soon as possible. The only exception is when the school has the student's permission to hold excess funds. (See sections 4.7.5 and 4.7.6.)

Time frames for paying credit

In paying excess Title IV funds to a student, the following time frames apply:

- For students enrolled at a school any time during the period July 1, 1995 to June 30, 1996, a school must pay a credit balance to a student or notify the student that the check is available on request within 21 days of whichever is the latest of:
  - the date the balance occurs,
  - the first day of classes of a payment period or enrollment period, as applicable, *or*
  - the date the student rescinds authorization given the school to hold the funds.
- For students enrolled at a school on or after July 1, 1996, a school must pay a credit balance to a student or notify the student that the check is available on request within 14 days of whichever is the latest of:

- the date the balance occurs,
- the first day of classes of a payment period or enrollment period, as applicable, *or*
- the date the student rescinds authorization given the school to hold the funds.

Determining amount of credit balances

A school determines that funds are due to a student if the total amount of a student's Title IV funds exceeds the total amount of allowable charges for a specified period (such as an academic term or a payment period). A school can simplify and expedite handling credit balances if it determines in advance—before Title IV funds are applied to the account—the amount of Title IV funds that will exceed allowable charges. The school can then make arrangements to obtain authorization to hold the excess funds or pay the student within the required time frame.

4.7.3 Early Payments

"Enrolled" status required

A school may not make a payment to a student or a student's account until the student is enrolled for classes for the applicable payment period or enrollment period. Federal regulations define "enrolled" as the status of a student who:

- has completed registration requirements (except for paying tuition and fees) at the school the student is attending *or*
- has been admitted into an educational program offered predominantly by correspondence and has submitted one lesson, completed by the student without the help of a representative of the school, after acceptance for enrollment.

Time frames for early payments

Except for students subject to delayed disbursement (see section 4.7.4), the earliest a school may pay a student directly or credit a student's account with Title IV funds is ten days before:

- the first day of a semester or other academic term or other enrollment period, as applicable (see Appendix A for definitions of these terms) and

- for second and subsequent disbursements of Direct Loans and FFEL Program loans, the first day of a semester, term, or other enrollment period for which a disbursement is intended.

4.7.4 Delayed Disbursement

Required delay for student borrowers

A student borrowing under the Direct Loan Program or FFEL Program is subject to delayed disbursement if the student:

- is enrolled in the first year of an undergraduate program of study *and*

- has not previously received a Direct Loan Program or a FFEL Program loan.

A school may not release the first disbursement of a Direct Loan Program or FFEL Program loan to a first-year, first-time student borrower until 30 calendar days after the first day of the student's program of study for which the loan is intended. The reason: The student might change his or her program of study, drop out, or take a leave of absence within the first 30 calendar days of the enrollment period. Because of this, the student may not receive loan proceeds until after he or she has been enrolled and attending the new program of study for 30 calendar days.

This requirement does not apply to a parent who borrows a Direct PLUS Loan or Federal PLUS Loan on behalf of a student; there is no delayed disbursement requirement for either type of PLUS Loan.

4.7.5 Holding Excess Funds

Student authorization required

A school, as fiduciary for the benefit of a student, may hold amounts of Title IV funds that exceed allowable charges *if* the student or parent borrower authorizes the school to retain the excess funds to assist the student or parent borrower in managing those funds. (See section 4.7.6.)

If a student authorizes a school to hold excess funds, and if the school chooses to hold those funds, the school:

- must identify the student and the amount of funds the school holds for that student in a subsidiary ledger account designated for the purpose of holding funds;

- must maintain, at all times, an amount of cash in its bank account that is at least equal to the amount of funds the school holds for students; and

- may retain any interest earned on student funds.

School requirements

If ED determines that a school has failed to meet the standards of financial responsibility set forth in 34 CFR 668.15 (see section 2.1.2), a school may not hold excess student funds for any purpose.

4.7.6 Student/Parent Authorizations

In accordance with 34 CFR 668.165(d), a school must obtain written authorization from a student or parent to:

- disburse Title IV program funds to the student or parent by electronic funds transfer (EFT) (see section 4.7.2.1);

EFT

- use Title IV program funds to pay for charges other than those specifically allowed by federal regulations (see section 4.7.1); or

Other charges owed

- hold excess funds (see section 4.7.5).

Excess funds

A school may not require a student or parent to provide an authorization for any of these activities. If a student or parent opts to authorize a school to perform any of these activities, the school must allow the student or parent to rescind the authorization at any time.

Authorization optional

An authorization is valid for the award year or period of enrollment in which the school obtains the authorization. An initial authorization will continue to be valid for subsequent award years or enrollment periods if the school provides the student or parent with a written notice that:

Allowable period of authorization

- explains in a "plain and conspicuous manner" the provisions contained in the student's or parent's original authorization, including an explanation of any interest the school earns on the student's funds and whether the school will give the interest to the student; and

- provides the student or parent the opportunity to cancel or modify the provisions of the original authorization.

4.8 Returning Funds

A school is responsible for returning funds to ED when:

- the school has excess cash in its account from funds drawn down and not used in accordance with immediate need (see sections 4.3.1 and 4.8.1);

- the school has excess cash as a result of a reduction to reported expenditures on a closed award (see section 6.5.2);

- the school has unused funds and expects no more funding from ED;

- the school owes ED for disallowed expenditures found during an audit or program review (see section 6.6.6); *or*

- the school earned interest or investment income on federal funds in excess of the amount it is allowed to retain (see section 4.5.2).

Methods for returning funds are discussed in section 4.8.2.

4.8.1 Excess Cash

Definition of "excess cash"

Excess cash is any amount of Title IV program funds (other than FFEL Program or Federal Perkins Loan Program funds) that a school does not disburse to students by the end of the third business day following the date the school received the funds. Except as described in the next section on tolerances (section 4.8.1.1), a school must promptly return to ED any amount of excess cash in its bank account.

4.8.1.1 Tolerances

Maintaining excess cash

If a school draws down Title IV program funds in excess of its immediate cash needs, the school may maintain the excess cash balance in its bank account only if:

- the amount of the excess cash balance is less than
  - ♦ 3 percent of the school's total prior year drawdowns, for a period of peak enrollment during which the drawdown occurs, *or*
  - ♦ 1 percent of its total prior year drawdowns for any other period; *and in either case*
  - ♦ within the next seven days, the school eliminates its excess cash balance by disbursing Title IV funds to students for at least the amount of the balance.

To determine total prior year drawdowns, a school participating in the Direct Loan Program may include the total amount of loans guaranteed under the FFEL Program for students attending the school during that year.

Period of peak enrollment

A period of peak enrollment occurs when at least 25 percent of a school's students start classes during a given 30-day period. For any award year, a school calculates the percentage of students who started classes during a given 30-day period by:

1. determining the number of students who started classes during that period for the prior award year in which the 30-day period began;
2. determining the total number of students who started classes during the entire prior award year in which the 30-day period began;
3. dividing the number of students in step 1 by the number of students in step 2; and
4. multiplying the result obtained in step 3 by 100.

4.8.1.2 Liabilities

Allowable ED actions

If ED finds that a school maintains excess cash balances in its bank account that are greater than those described in section 4.8.1.1, ED may:

- require the school to reimburse the federal government for costs incurred in making those excess funds available to the school and

- initiate proceedings to fine, limit, suspend, or terminate the school's participation in one or more Title IV programs.

Checks issued by school

In finding that a school has maintained excess cash, ED considers a school to have issued a check to a student on the date that the check cleared the bank, unless the school can demonstrate that it issued the check shortly after writing it. (See section 4.7.2.2.)

Calculating liability

If ED finds that a school has maintained excess cash, ED calculates (or requires the school to calculate) a liability for maintaining excess cash in accordance with ED-established procedures. Under those procedures, ED assesses a liability that is equal to the difference between the earnings that the excess cash balance would have yielded if it had been invested under the applicable current value of funds rate and the actual interest earned on the balance.

Current value of funds rate

The current value of funds rate is an annual percentage rate, published in a Treasury Financial Manual (TFM) bulletin, that reflects the current value of funds to the U. S. Department of Treasury (Treasury) on the basis of certain investment rates. The current value of funds rate is computed each year by averaging investment rates for the 12-month period ending every September. The TFM bulletin is published annually by Treasury. Each annual bulletin identifies the current value of funds rate and the date that rate becomes effective.

4.8.2 Methods for Returning Funds

Procedures for returning funds vary, depending on the circumstances under which a school is returning funds. If ED notifies a school that it must return funds, the notification usually contains specific instructions the school must follow.

4.8.2.1 Returning Excess Funds

ED's Financial Payments Group (FPG) reviews a school's ED/PMS 272 Report for excess funds (also referred to as "cash on hand" or "excess cash").* If FPG finds that a school is holding excess funds, the school will receive a letter notifying it to:

*This review includes Federal Pell Grant and campus-based program funds, but not Federal Direct Loan Program funds.

- return the excess funds; *or*
- certify that current disbursements (expenditures) have reduced the excess funds; *or*
- contact an ED account representative if the school finds that the excess funds resulted from errors the school made when it reported disbursements.

School response to FPG notice

If a school does not respond within ten days of the date of the FPG letter, the school may be suspended from receiving further funds, or the school may be placed on the reimbursement payment method. In addition, FPG may refer the debt for billing and collection.

NFC billing

If a school owes excess funds, an account receivable will be established by ED's Accounts Receivable Management Group (ARMG), and the National Finance Center (NFC) will send the school a bill. Any accrued interest, penalties, and administrative fees will be included in the bill, along with instructions for returning excess funds.

More information about returning excess funds can be found in Chapter 6, Appendix T, and Appendix U of the ED/PMS *Recipient's Guide*, and in section 6.5.1 of this book.

4.8.2.2 Returning Funds on a Closed Award

ED/PMS account adjustment

If a school needs to return funds as a result of reducing expenditures on a closed award, an adjustment is made to the school's ED/PMS account that increases the school's cash on hand by the amount of the expenditure reduction. If this adjustment causes excess cash on hand, the school must return the excess funds to ED's Financial Payments Group (FPG) using the procedures given in section 4.8.2.1.

More information about closed awards can be found in section 6.5.2 of this book.

4.8.2.3 Returning Unused Funds

Inactive ED/PMS accounts

ED's Financial Payments Group (FPG) regularly identifies ED/PMS accounts that have had no recent activity (for example, no payment requests or no ED/PMS 272 Reports submitted for six months). FPG also receives information from schools, ED's Office of Inspector General (OIG), and program offices within ED indicating that schools closed or will be closing. These accounts are classified as inactive and are reconciled to determine if any unused funds are being held.

Notice from FPG

If a school has unused funds that should be returned, FPG sends a letter to the school listing:

- the total dollar amount initially advanced to the school,
- the school's total reported expenditures,
- the final amount due ED, and
- the ACH/EFT numbers to use on the return.

School response to FPG notice

A school must return unused funds to FPG within 30 days from the date the letter is written. If the school needs assistance or has information that might resolve all or a portion of the amount due, the school should contact an ED/PMS account representative within the 30-day period.

NFC billing

If the amount due is accurate and if a school does not respond within 30 days, the funds owed become a school debt. The debt is transferred to ED's Accounts Receivable Management Group (ARMG) for billing and collection by the National Finance Center (NFC). If a school does not respond to the NFC's notices, the debt will be forwarded to a commercial collection agency.

More information about returning unused funds can be found in Chapter 6 of the ED/PMS *Recipient's Guide.* This information includes specific instructions for preparing and mailing checks that return excess funds.

4.8.2.4 Returning Funds from an Audit or Program Review

Procedures for returning funds resulting from audit or program review finding are given in section 6.6.6.

4.8.2.5 Returning Interest Earned

If a school receives funds through advance payment and retains those funds in an interest-bearing or investment account, the school is required to return to ED, at least annually, the amount of interest or investment earnings that exceeds the amount the school is allowed to retain. (See section 4.5.2.) However, a school may retain and use all interest or investment income earned on Federal Perkins Loan funds for authorized purposes of the program.

If a school does not return required amounts of interest or investment income, future payments of Title IV program funds may be reduced (offset) by the amount of that income.

Schools must return excess interest income to ED by check, indicating on the check that it represents interest earnings. The check should be sent to:

U.S. Department of Education
600 Independence Avenue, SW
Room 3321
Washington, DC 20202-4331

4.8.3 Deobligating Campus-Based Funds

If a school does not use its total allocation of funds for Title IV campus-based programs (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan), the school is required to release unexpended amounts to ED. This release of unexpended allocated funds is called "deobligation."

Reporting deobligated amounts

In June each year, ED sends schools a letter advising them that they must deobligate funds not spent by June 30 of that year and asking them to estimate the amount of funds they expect to have used by that date. Later, a school also must determine the actual amounts spent as of the end of the award year and report those amounts on the ED/PMS 272 Report. Funds are deobligated 18 months after the award-year ending date.

More information about deobligation can be found in section 3.1.2.

4.8.4 Returning Federal Family Education Loan (FFEL) Program Funds

It is sometimes necessary for a school to return all or a portion of a loan made under the Federal Family Education Loan (FFEL) Program to the lender that made the loan. FFEL Program funds must be returned if:

Actions requiring return of funds

- a student fails to enroll for an enrollment period for which the loan is intended;
- a student fails to meet satisfactory academic progress or other eligibility requirements at the time the loan is due to be delivered;
- a student withdraws or drops out during an enrollment period for which the loan is intended;
- a refund is due a lender as a result of a refund calculation; *or*
- a student or parent requests a school to return FFEL Program funds to reduce the borrower's principal loan balance.

Schools have 60 days to make a refund. They may hold a check for an eligible student for no more than 45 days in any instance. They must return a check to a lender within 30 days if, for any reason, the student has lost eligibility for the loan.

Time frames for returning funds

If a student fails to enroll or fails to meet other loan eligibility requirements, a school must return loan proceeds to a lender within 30 days of the school determining that the student is not eligible for the loan.

If a student withdraws from school, a school must return loan proceeds to a lender within 30 days of the student's official withdrawal date.

If a student drops out and does not notify a school, the school must return loan proceeds to a lender within 30 days of the *earliest* of:

- the date the school became aware that the student had dropped out;
- the expiration of the academic term in which the student dropped out; *or*
- the expiration of the enrollment period for which the student was charged.

If a student is on an approved leave of absence and does not return to school, a school must return loan proceeds to a lender within 30 days of the *earlier* of:

- the expiration date of the leave of absence *or*
- the date the student notifies the school that he or she will not be returning from the leave of absence.

If a student is on an unapproved leave of absence, a school must return loan proceeds to a lender within 60 days of the student's last recorded date of attendance. Please note that the 60-day deadline applies to *all* Title IV programs, not just the FFEL Program.

Written notice to borrower required

When a school returns FFEL Program loan proceeds to a lender, it must notify the student or parent borrower, in writing, that the funds have been returned.

4.8.5 Returning Direct Loan Funds

Schools must return Direct Loan funds in the event of excess cash or refunds.

4.8.5.1 Excess Cash

Definition

Like other Title IV funds, Direct Loan excess cash is any amount of Direct Loan funds a school does not disburse to borrowers by the end of the third business day following the date the school receives the funds. This includes excess funds that result from cancelling an actual disbursement or adjusting downward the amount of an actual disbursement.

Methods used to return excess Direct Loan cash

There are three methods by which schools may return excess Direct Loan cash to ED:

- **Check**—A check may be used if the amount of excess cash is less than $100,000. The check should include all excess funds that need to be returned at a given time, not just those for an individual borrower or type of loan. The check and/or accompanying correspondence should include the school's Direct Loan school code and indicate that the funds are excess Direct Loan cash. The check should be mailed to:

  Direct Loan Servicing Center
  Attn: Excess Cash
  P.O. Box 4639
  Utica, NY 13504-4639

- **ACH (Automated Clearinghouse)**—This method allows for an electronic transfer of funds from a school's bank account to the Direct Loan Servicing Center's bank account. A school must contact its bank to find out what types of specific information the bank needs to initiate the transaction. At a minimum, the school's bank will need the following basic information about the Servicing Center:

Financial Institution:	Fleet Bank Genesee Street Utica, NY
Account Number:	9380602353
Routing Number:	021300019

- **FEDWIRE**—This method allows for an electronic transfer of funds from a school's bank account directly to ED. This method must be used if the amount of excess cash is $100,000 or more. A school must instruct its bank that the reason for the remittance is Direct Loan excess cash. FEDWIRE procedures are discussed in detail in section 4.4.3 of this book and in Chapter 3 of the ED/PMS *Recipient's Guide*.

4.8.5.2 Refunds

When a student withdraws, drops out, or leaves school for any reason, a school must determine if a refund is due the Direct Loan Program and, if so, the amount of the refund. The school can handle the refund either by cancelling or adjusting actual disbursements *or* by sending a check to the Direct Loan Servicing Center.

Methods for returning Direct Loan funds due to a refund

- **Cancelling or adjusting actual disbursements**—If a Direct Loan refund is due within 120 days of a loan's disbursement date, a school may process the refund by cancelling an actual disbursement (if the refund amount is equal to or greater than the total amount disbursed) or by adjusting an actual disbursement (if the refund amount is less than the total amount disbursed).

  Borrower is not respon-sible for loan fees

  When the school sends the cancellation or adjustment information to the Servicing Center, the borrower's account is updated to reflect the amount of the cancellation or adjustment. This method of returning refunds benefits borrowers, because they are not responsible for loan fees or accrued interest on the refunded amount.

  With this method, the amount cancelled or adjusted is returned to the school's federal bank account, where it must be immediately disbursed to other eligible borrowers or returned to ED as excess cash.

- **Sending a check**—A school might want to handle a Direct Loan refund as it handles an FFEL Program loan refund, that is by sending a check to be applied as a payment to a borrower's account.

  Borrower is held responsible for loan fees

  Note, however, that it is to a borrower's advantage for a school to handle refunds by cancelling or adjusting actual disbursements. If a check is used to return a refund, the borrower is responsible for loan fees and accrued interest on the amount refunded.

  If a school uses the check method, the school must also supply the information needed to apply the funds to the borrower's account. If a school is returning refunds for more than one student, it should send only one check and attach a list of borrowers' names, loan ID numbers, and refund amounts. The school must indicate on the check, list, or other accompanying correspondence that the funds are to be applied to borrowers' accounts as payments. The check and other information should be mailed to:

Address for mailing checks

Direct Loan Servicing Center
Attn: Payment Center
P.O. Box 4610
Utica, NY 13504-4610

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federal register

Thursday
December 1, 1994

Part V

Department of Education

34 CFR Part 668, et al.

Student Assistance General Provisions; Federal Perkins Loan Program; Federal Supplemental Educational Opportunity Grant Program; Federal Work-Study Program; Federal Family Educational Loan Programs; Federal Pell Grant Program; Final Rule

DEPARTMENT OF EDUCATION

34 CFR Parts 668, 67 675, 676, 682, and 690

RIN: 1840-AC13

Student Assistance General Provisions; Federal Perkins Loan Program; Federal Supplemental Educational Opportunity Grant Program; Federal Work-Study Program; Federal Family Educational Loan Programs; Federal Pell Grant Program

AGENCY: Department of Education.

ACTION: Final regulations.

SUMMARY: These regulations govern the management of funds an institution receives under the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan, Federal Family Education Loan (FFEL), William D. Ford Federal Direct Loan (Direct Loan), and Presidential Access Scholarship (PAS) programs authorized by title IV of the Higher Education Act of 1965, as amended (title IV, HEA programs). The Secretary amends the Student Assistance General Provisions regulations by revising subpart B and adding a new subpart K and by making conforming revisions in other title IV, HEA program regulations. The purpose of the regulations is to promote sound cash management practices by institutions that participate in the title IV, HEA programs by strengthening and making uniform the cash management rules for these programs. In so doing, the Secretary expects to reduce the cost to the Federal government of making title IV, HEA program funds available to students and institutions under these programs.

EFFECTIVE DATE: These regulations take effect on July 1, 1995, and apply to the 1995–96 and subsequent years. However, affected parties do not have to comply with the information collection requirements in § 668.164(a) until the Department of Education publishes in the Federal Register the control number assigned by the Office of Management and Budget (OMB) to these information collection requirements. Publication of the control number notifies the public that OMB has approved these information collection requirements under the Paperwork Reduction Act of 1980.

FOR FURTHER INFORMATION CONTACT: John Kolotos or Kim Goto, U.S. Department of Education, 600 Independence Avenue, S.W., Room 4318, Regional Office Building 3, Washington, D.C. 20202-5244. Telephone (202) 708-7888. Individuals who use a telecommunications device for the deaf (TDD) may call the Federal Information Relay Service at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION: On September 29, 1994, the Secretary published a Notice of Proposed Rulemaking (NPRM) for part 668 in the Federal Register (59 FR 49766). The NPRM included a discussion of the major issues surrounding the proposed changes which will not be repeated here. The following list summarizes those issues and identifies the pages of the preamble to the NPRM on which a discussion of those issues can be found:

The Secretary proposed to define the scope and purpose of subpart K to be the promotion of sound cash management practices by institutions and third-party servicers, and the minimizing of the financing costs to the Federal government of making available title IV, HEA program funds to students and institutions (page 49766);

The Secretary proposed to define the term *disburse* to encompass all the methods by which an institution pays title IV, HEA program funds to a student or parent (page 49766);

The Secretary proposed to define the term *issue checks* to include any means by which an institution pays a student or parent by check (page 49767);

The Secretary proposed to codify existing policy and practice under which the Secretary provides title IV, HEA program funds, other than FFEL program funds, to institutions (page 49767);

The Secretary proposed to consolidate and amend several requirements of the Federal Perkins Loan Program, the FWS Program, the FSEOG Program, the Federal Pell Grant Program, and requirements proposed for the Direct Loan Program regulations regarding the account into which an institution deposits and otherwise maintains Federal funds (pages 49767–49768);

The Secretary proposed to consolidate and amend several requirements of the Federal Perkins Loan Program, the FWS Program, the FSEOG Program, the Federal Pell Grant Program, and requirements proposed for the Direct Loan Program regulations under which an institution disburses title IV, HEA program funds to eligible students (pages 49768–49769); and

The Secretary proposed to define excess cash as any amount of title IV, HEA program funds, other than FFEL or Federal Perkins Loan Program funds, that an institution does not disburse to students by the end of the third business day following the date the institution received those funds (pages 49769-49770).

In addition to changes to the Student Assistance General Provisions regulations, to eliminate conflicting requirements between program regulations the Secretary publishes conforming amendments to the appropriate sections of the Federal Pell Grant, FSEOG, FWS, Federal Perkins Loan and FFEL program regulations. The Secretary identifies those sections as follows:

Federal Perkins Loan Program, 34 CFR 674.16 and 674.19;
FSEOG, 34 CFR 676.16 and 676.19;
FWS, 34 CFR 675.19;
Federal Family Educational Loan Programs, 34 CFR 682.603 and 682.604;
Federal Pell Grant Program, 34 CFR 690.78 and 690.81.

The Secretary publishes conforming amendments to the Direct Loan Program regulations as part of the final regulations for that program.

These regulations establish for the first time uniform rules and procedures that an institution must follow in requesting, maintaining, disbursing, and otherwise managing title IV, HEA program funds. In establishing these rules and procedures, the Secretary seeks to achieve an appropriate balance between the needs of an institution in administering with integrity these programs, the institution's obligation to provide program funds to students in a timely manner, and the Federal interest in the use and disposition of program funds. The Secretary recognizes however that many institutions manage Federal funds soundly and efficiently, albeit somewhat differently from what these rules require. The Secretary does not intend for these rules to dissuade those institutions from continuing sound cash management practices; rather the Secretary believes that these rules will enhance those institutions' practices as well as establish a performance benchmark for all institutions. In this regard, the Secretary will assess the impact of these regulations on students and institutions and propose new rules, as may be appropriate, in response to that assessment.

Substantive Changes to the NPRM

The following discussion reflects substantive changes made to the NPRM in the final regulations. The provisions are discussed in the order in which they appear in the proposed rules.

Section 668.161 Scope and Purpose

In response to public comment, the Secretary revises this section to include the following objectives. (1) to promote sound cash management practices by institutions, (2) to minimize the financing costs to the Federal government of making available title IV, HEA program funds to students and institutions, and (3) to minimize the costs that accrue to students under the title IV, HEA loan programs.

Section 668.162 Definitions

The definition of *issue checks* has been revised to clarify that an institution issues a check by mailing the check, or notifying the student or parent expeditiously that the check is available on demand for immediate pickup.

Section 668.163 Requesting funds

The final regulations require that in certifying a loan application under § 682.603, an institution may not request from a lender the loan proceeds for a student borrower earlier than 13 days before the student's period of enrollment. This provision applies only to borrowers who are not subject to the delayed disbursement provisions in § 682.604(c)(5) and where FFEL program funds are transferred by a lender to an institution via EFT or master check. The 13-day timeframe was chosen to be consistent with the number of days that an institution may request and disburse funds that it receives from the Secretary by EFT under all of the other title IV, HEA programs. The Secretary adds this provision to minimize the interest costs incurred by a borrower during the period in which the borrower does not benefit from the receipt of those loan funds.

Section 668.164 Maintaining funds

The section is revised to require that the institution must comply with one of the following provisions: (1) that it notify the bank of its accounts that contain Federal funds and retain a record of that notice in its files, or (2) that the institution ensure that the name of the account discloses clearly that Federal funds are maintained in that account. The proposed rules required that an institution would have to comply with both provisions. The change was made in response to public comment and the Secretary's belief that either of the proposed requirements in connection with the filing of a UCC-1 statement will provide that Federal funds are safeguarded adequately.

In response to public comment, the final regulations allow an institution to maintain an interest-bearing account under the same provisions that apply to interest-bearing accounts under the Federal Perkins Loan Program.

The final regulations have raised the threshold for requiring an interest-bearing account to $3 million. These regulations also clarify that any institution may maintain an interest-bearing account.

Under the final regulations, an institution which demonstrates that it will not earn more than $250 in interest on holding Title IV, HEA program funds is not required to maintain an interest-bearing account regardless of the amount of its prior-year drawdowns. In addition, an institution that did not earn $250 in interest on the funds it maintained in an interest-bearing account in the prior award year, is not required to maintain that account in the current award year.

Section 668.165 Disbursing funds

The final regulations have been revised to require that an institution must notify a student or parent of the amount of title IV, HEA program funds the student can expect to receive, and how and when those funds will be paid.

The final regulations clarify that an institution must determine if the amount of title IV, HEA program funds that the institution applies to a student's account exceeds the amount of allowable institutional charges, and based on that determination provide any balance to the student within specified timeframes.

In response to public comment, the Secretary has extended the timeframes within which an institution must disburse any student credit balance, and has provided for a phase-in of this provision. For the 1995–96 award year, an institution must pay that balance directly to the student as soon as possible, but within 21 days of the later of: the date that balance occurs; the first day of classes of a payment period or period of enrollment, as applicable; or the date the student rescinds his or her authorization under § 668.165(d). For students enrolled at the institution on or after July 1, 1996, the credit balance must be paid as soon as possible, but within 14 days after the later of the events stated above.

The final regulations provide that an institution must obtain a student's or parent's authorization to (1) disburse title IV, HEA program funds via EFT; (2) apply title IV, HEA program funds to other charges; and (3) hold excess student funds. In obtaining authorization for any of these activities, an institution may not require the student or parent to provide that authorization, and must allow the student or parent to rescind that permission at any time. In addition, the institution must provide an annual notice to the student that explains in a plain and conspicuous manner the provisions regarding the student's authorization, including an explanation regarding any interest that the institution earns on the student's funds and whether the institution will provide that interest to the student.

If a student authorizes the institution to hold excess funds on his or her behalf, and the institution chooses to hold those funds, the institution must identify the student and the amount of the funds the institution holds for that student in a subsidiary ledger account designated for this purpose; and maintain, at all times, cash in its bank account for an amount equal to the amount of the funds the institution holds for the student. The institution may also retain any interest earned on the student's funds while the institution is holding those funds. An institution may not hold excess student funds if the Secretary determines that the institution does not meet the standards of financial responsibility under § 668.15.

Section 668.166 Excess cash.

In response to public comment, the final regulations have increased the allowable excess cash tolerances to three percent of the institution's total prior-year drawdowns during a period of peak enrollment; and for any other period, one percent of the total prior-year drawdowns. The Secretary has removed the proposed minimum excess cash balance of $5,000 provision based on the increase in the allowable percentages.

Analysis of Comments and Changes

In response to the Secretary's invitation in the NPRM, approximately 110 parties submitted comments on the proposed regulations. An analysis of the comments and of the changes in the regulations since publication are published as an appendix to these regulations. Substantive issues are discussed under the section of the regulations to which they pertain.

Technical and other minor changes—and suggested changes the Secretary is not legally authorized to make under the applicable statutory authority—are not addressed.

Executive Order 12866

These regulations have been reviewed in accordance with Executive Order 12866. Under the terms of the order the Secretary has assessed the potential costs and benefits of this regulatory action.

The potential costs associated with the regulations are those resulting from statutory requirements and those determined by the Secretary to be necessary for administering the title IV, HEA programs effectively and efficiently. Burdens specifically associated with information collection requirements, if any, are identified and explained elsewhere in this preamble under the heading *Paperwork Reduction Act of 1980*.

In assessing the potential costs and benefits—both quantitative and qualitative—of these regulations, the Secretary has determined that the benefits of the regulations justify the costs.

The Secretary has also determined that this regulatory action does not unduly interfere with State, local, or tribal governments in the exercise of their governmental functions.

Paperwork Reduction Act of 1980

Section 668.164(a) contains information collection requirements. As required by the Paperwork Reduction Act of 1980, the U.S. Department of Education will submit a copy of this section to the Office of Management and Budget (OMB) for its review. (44 U.S.C. 3504(h)).

The final regulations contain information collection requirements regarding the bank account that all participating institutions must maintain for the deposit of title IV, HEA program funds. Specifically, institutions must (1) notify their bank of the accounts that contain Federal funds and maintain a record of that notice in their recordkeeping system, and (2) file with the appropriate State or municipal government entity a UCC–1 statement disclosing the accounts that contain Federal funds and keep a copy of that statement in their files. In addition, institutions that draw down more than $3 million in title IV, HEA program funds must maintain those funds in an interest-bearing account and keep records for any interest earned on those funds. Institutions may retain annually interest earning on title IV, HEA program funds for an amount up to $250, must keep records for the amount retained, and return to the Department any interest earnings greater than the amount retained. The Department needs and uses this information to determine whether institutions have complied with these requirements.

For approximately 8,500 institutions, a one-time public reporting burden for this collection of information is estimated at (1) 2,833 hours for institutions to notify banks of the accounts that contain title IV, HEA program funds and maintain a record of that notice in their recordkeeping system, and (2) 8,500 hours for institutions to file a UCC–1 statement with the appropriate State or municipal government entity disclosing the accounts that contain Federal funds and keep a copy of that statement in their files. In addition, for approximately 757 institutions, the annual public reporting burden for this collection of information is estimated at 379 hours for those institutions to account for the interest earned on title IV, HEA program funds and return to the Federal government any interest earnings in excess of $250.

Organizations and individuals desiring to submit comments on the information collection requirements should direct them to the Office of Information and Regulatory Affairs, OMB, Room 3002, New Executive Office Building, Washington, DC 20503: Attention: Daniel J. Chenok.

Assessment of Educational Impact

In the NPRM published on September 29, 1994, the Secretary requested comment on whether the proposed regulations in this document would require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

Based on the response to the proposed rules on its own review, the Department has determined that the regulations in this document do not require transmission of information that is being gathered by or is available from any other agency or authority of the United States.

List of Subjects

34 CFR 668

Administrative practice and procedure, Colleges and universities, Consumer protection, Education, Grant programs—education, Loan programs—education, Reporting and recordkeeping requirements, Student aid.

34 CFR Parts 674, 675, and 676

Education loan programs—education, Student aid.

34 CFR Part 682

Administrative practice and procedure, Colleges and universities, Loan programs—education, Reporting and recordkeeping requirements, Student aid, Vocational education

34 CFR Part 690

Education of disadvantaged, Grant programs—education, Reporting and recordkeeping requirements, Student aid.

Dated: November 23, 1994.
Richard W. Riley,
Secretary of Education

(Catalog of Federal Domestic Assistance Number: 84.007 Federal Supplemental Education Opportunity Grant Program; 84 032 Federal Family Educational Loan Program; 84.032 Federal PLUS Program; 84.032 Federal Supplemental Loans for Students Program; 84.033 Federal Work-Study Program; 84.038 Federal Perkins Loan Program; 84.063 Federal Pell Grant Program; 84.069 Federal State Student Incentive Grant Program; 84.268 Federal Direct Student Loan Program; and 84.272 National Early Intervention Scholarship and Partnership Program. Catalog of Federal Domestic Assistance Number for the Presidential Access Scholarship Program has not been assigned.)

The Secretary amends Parts 668, 674, 675, 676, 682, and 690 of Title 34 of the Code of Federal Regulations as follows:

PART 668—STUDENT ASSISTANCE GENERAL PROVISIONS

1. The authority citation for part 668 continues to read as follows:

Authority: 20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099c, and 1141, unless otherwise noted.

§ 668.18 [Removed and Reserved]

2. Section 668.18 is removed and reserved.

3. A new subpart K is added to Part 668 to read as follows:

Subpart K—Cash Management

SUBPART K—CASH MANAGEMENT

§ 668.161 Scope and purpose.

(a) *General.* (1) This subpart establishes uniform rules and procedures under which a participating institution requests, maintains, disburses, and otherwise manages funds the institution receives under any title IV, HEA program. The purpose of this subpart is to—

(i) Promote sound cash management of title IV, HEA program funds by an institution;

(ii) Minimize the financing costs to the Federal government of making title IV, HEA program funds available to a student or an institution; and

(iii) Minimize costs that accrue to a student under a title IV, HEA loan program.

(2) An institution must follow additional rules and procedures for managing title IV, HEA program funds

under each program in which it participates.

(3) The rules and procedures that apply to an institution under this subpart also apply to a third-party servicer.

(4) For purposes of this subpart, the title IV, HEA programs include only the Federal Pell Grant, PAS, FSEOG, Federal Perkins Loan, FWS, Direct Loan, and FFEL programs.

(b) *Federal interest in title IV, HEA program funds.* Except for the funds received by an institution for administrative expenses, funds received by an institution under the title IV, HEA programs are held in trust for the intended student beneficiaries and the Secretary. The institution, as a trustee of Federal funds, may not use or hypothecate (i.e., use as collateral) title IV, HEA program funds for any other purpose.

(Authority: 20 U.S.C. 1094)

§ 668.162 Definitions.

The following definitions apply to terms used in this subpart:

Check: A negotiable demand draft or warrant.

Credit an account: To post a payment of funds to a student's account.

Day: A calendar day unless otherwise specified.

Disburse: To make a payment of title IV, HEA program funds, or deliver the proceeds of a loan under the FFEL Program to or on behalf of a student—

(1) Directly by—

(i) Check or other means payable to and requiring the endorsement or certification of the student, or in the case of a parent borrower under the Direct Loan or FFEL programs, the student's parent;

(ii) Initiating an electronic funds transfer (EFT) to a bank account designated by the student, or in the case of a parent borrower under the Direct Loan or FFEL programs, to a bank account designated by the parent; or

(iii) Dispensing cash for which an institution obtains a signed receipt from the student; or

(2) By crediting the student's account.

Drawdown: A process whereby an institution requests and receives title IV, HEA program funds.

Issue checks: To release, distribute, or make available a check by—

(1) Mailing the check to a student or parent; or

(2) Notifying the student or parent expeditiously that the check is available on demand for immediate pickup.

Period of enrollment: (1) With respect to the Direct Loan Program, a period of enrollment as defined in § 685.102;

(2) With respect to the FFEL Program, a period of enrollment as defined in § 682.200.

Request for cash: A solicitation for cash that is completed and submitted in accordance with procedures contained in the *Recipient's Guide for the Department of Education Payment Management System.* This guide is published by the Department of Education, 600 Independence Avenue, S.W., Room 3321, Federal Office Building 10, Washington, D.C. 20202-4331, and contains the procedures institutions use to request, report, and account for Federal funds.

(Authority: 20 U.S.C. 1094)

§ 668.163 Requesting funds

(a) *General.* (1) The Secretary pays an institution in advance, or by reimbursement, for the institution to disburse title IV, HEA program funds, other than FFEL program funds, to students who qualify to receive those funds.

(2) *Advance payment method.* (i) Under the advance payment method the Secretary accepts an institution's request for cash and transfers electronically the amount requested into a bank account designated by the institution.

(ii) An institution's request for cash must not exceed the amount of funds the institution needs immediately to make disbursements to students. The institution must make the disbursements as soon as administratively feasible but no later than three business days following the date the institution received those funds.

(3) *Reimbursement payment method.* (i) To receive payment of title IV, HEA program funds under the reimbursement method an institution must first make disbursements to eligible students before it submits a request for cash.

(ii) The amount of the institution's request for cash may not exceed the amount of the actual disbursements the institution made to students included in that request.

(iii) The Secretary may require the institution to submit documentation that each student included in the request was eligible to receive and received payment for the title IV, HEA program funds for which the institution is seeking reimbursement. The Secretary considers that an institution has made payments to those students if the institution has either credited the students' accounts or paid the students directly with its own funds.

(iv) The Secretary approves the amount of the institution's request and transfers electronically that amount into a bank account designated by the institution if the Secretary determines that the institution—

(A) Determined properly the eligibility of each student for title IV, HEA program funds;

(B) Made payments for the correct amounts of title IV, HEA program funds to the students included in its request; and

(C) Submitted any documentation required under paragraph (a)(3)(iii) of this section.

(b) *Receiving FFEL Program funds.* In certifying a loan application under § 682.603 for a borrower who is not subject to the delayed disbursement provisions in § 682.604(c)(5), an institution may not request that a lender provide by EFT or master check the loan proceeds for that borrower earlier than 13 days before the first day of a student's period of enrollment.

(Authority: 20 U.S.C. 1094)

§ 668.164 Maintaining funds

(a) *General.* (1) Other than for funds an institution receives under the FFEL programs, an institution must maintain a bank account that meets the requirements under paragraphs (b) or (c) of this section into which the Secretary transfers or the institution deposits Federal funds that the institution receives from the title IV, HEA programs. Except as provided in paragraph (e) of this section, an institution is not required to maintain a separate account for title IV, HEA program funds.

(2)(i) An institution must—

(A) Notify the bank of the accounts that contain Federal funds and retain a record of that notice in its recordkeeping system; or

(B) Ensure that the name of the account discloses clearly that Federal funds are maintained in that account; and

(ii) File with the appropriate State or municipal government entity a UCC-1 statement disclosing that the account contains federal funds and maintain a copy of that statement in its records.

(b) *Interest-bearing account.* (1) Notwithstanding any other requirements in this section, an institution that participates in the Federal Perkins Loan Program must maintain—

(i) An interest-bearing account that is—

(A) Federally insured; or

(B) Secured by collateral of value reasonably equivalent to the amount of title IV, HEA program funds in the account; or

(ii) An investment account consisting predominately of low risk income-producing securities, such as obligations issued or guaranteed by the United States.

(2) Except as provided in paragraph (c) of this section, for any award year, an institution must maintain an account that meets the requirements in paragraphs (b)(1)(i) or (ii) of this section. If an institution maintains Federal funds in an investment account as provided in paragraph (b)(1)(ii) of this section, the institution must maintain sufficient liquidity in that account to make required disbursements to students.

(c) *Non-interest-bearing account.* (1) For any award year, an institution is not required to maintain an interest-bearing account if—

(i) In the prior award year, the institution drew down less than $3 million from the title IV, HEA programs;

(ii) For the total amount of title IV, HEA program funds that the institution drew down in the prior award year and maintained in an interest-bearing account, the institution earned less than $250 in interest on those funds; or

(iii) For the total amount of title IV, HEA program funds that the institution draws down during the award year, the institution demonstrates by its cash management practices that it would not earn over $250 in interest by maintaining those funds in an interest-bearing account.

(2) An institution's non-interest-bearing account must be—

(i) Federally insured; or

(ii) Secured by collateral of value reasonably equivalent to the amount of title IV, HEA program funds in the account.

(d) *Interest earnings.* Except as provided in paragraphs (d)(1) and (2) of this section, an institution must remit at least annually to the Secretary the interest or investment revenue earned on title IV, HEA program funds maintained in an interest-bearing or investment account.

(1) Pursuant to 34 CFR Part 674, an institution must retain for the purposes of the Federal Perkins Loan Program all interest or investment revenue earned on Federal Perkins Loan Program funds maintained in an interest-bearing or investment account.

(2) Other than interest or investment revenue earned on Federal Perkins Loan Program funds, an institution may retain for administrative expense up to $250 per year of the interest or investment revenue earned on title IV, HEA program funds maintained in an interest-bearing or investment account.

(e) *Separate account.* The Secretary may require an institution to maintain title IV, HEA program funds, including the funds an institution maintains for purposes of the Federal Perkins Loan Program, in a separate bank account that contains no other funds if the Secretary determines that-

(1) The institution's accounting and internal control systems do not—

(i) Identify the cash balances of title IV, HEA program funds maintained in the institution's bank account as readily as if those funds were maintained for each program in a separate account; or

(ii) Identify adequately the interest or investment revenue earned on title IV, HEA program funds maintained in its bank account;

(2) The institution's financial records—

(i) Are not maintained on a current basis;

(ii) Do not reflect accurately all title IV, HEA program transactions; or

(iii) Are not reconciled at least monthly; or

(3) The institution has otherwise failed to comply with the recordkeeping and reporting requirements in subpart B of this part or in the regulations that govern each title IV, HEA program in which the institution participates.

(f) Standard of conduct. An institution must exercise the level of care and diligence required of a fiduciary with regard to maintaining and investing Federal funds.

(Authority: 20 U.S.C. 1094)

§ 668.165 Disbursing funds.

(a) *Method of payment.* (1) An institution must notify a student or the student's parent of the amount of title IV, HEA program funds the student can expect to receive, and how and when those funds will be paid.

(2) If the institution chooses to disburse to the student or the student's parent by initiating an electronic funds transfer to the bank account designated by the student or parent, as applicable, the institution must obtain authorization from the student or parent, as applicable, to disburse by that method.

(3) An institution must follow the disbursement procedures in § 675.16 for paying a student his or her wages under the FWS Program.

(b) *Crediting a student's account*—(1) *General.* An institution may disburse to a student by crediting the student's account. In crediting the student's account with title IV, HEA program funds, the institution may apply those funds only to allowable charges described under paragraph (b)(4) of this section, except that the institution may not apply the student's title IV, HEA program funds to any charges the institution assessed the student in a prior award year or period of enrollment. An institution must provide written notification expeditiously to a student or parent, as applicable, that the institution has credited the student's account with Direct Loan or FFEL program funds.

(2) *Student account balances.* Unless otherwise authorized, by a student, whenever an institution applies title IV, HEA program funds to a student's account and determines that an amount of those funds exceeds, or exceeded, the amount of allowable charges the institution assesses the student, the institution must pay that balance directly to the student as soon as possible but—

(i) For students enrolled at the institution at any time during the period beginning July 1, 1995 and ending June 30, 1996, within 21 days of the later of—

(A) The date that balance occurs;

(B) The first day of classes of a payment period or period of enrollment, as applicable; or

(C) The date the student rescinds his or her authorization under paragraph (d) of this section; and

(ii) For students enrolled at the institution on or after July 1, 1996, within 14 days of the later of the events described in paragraph (b)(2)(i) (A), (B), or (C) of this section.

(3) *Allowable charges.* For the purposes of this section, allowable charges include—

(i) Tuition and fees;

(ii) Board, if the student contracts with the institution for board;

(iii) Room, if the student contracts with the institution for room; and

(iv) If an institution obtains the student's or parent's authorization under paragraph (d) of this section—

(A) Other cost-of-attendance charges, as provided under section 472 of the HEA, included in that authorization; and

(B) Other institutional charges that a student incurs at his or her discretion.

(4) *Holding student funds.* (i) Except as provided in paragraph (b)(4)(ii) of this section, an institution, as a fiduciary for the benefit of a student, may hold student funds from the title IV, HEA programs in excess of institutional charges included in paragraph (b)(3) of this section, if the student authorizes the institution to retain the excess funds to assist the student in managing those funds. If an institution chooses to hold excess student funds, the institution—

(A) Must identify the student and the amount of the funds the institution holds for that student in a subsidiary ledger account designated for that purpose;

(B) Must maintain, at all times, cash in its bank account for an amount at least equal to the amount of the funds the institution holds for the student; and

(C) May retain any interest earned on the student's funds.

(ii) If the Secretary determines that an institution has failed to meet the standards of financial responsibility under § 668.15, an institution may not hold a student's excess funds for this purpose.

(c) *Early payments.* (1) An institution may not make a payment to a student for a payment period or period of enrollment, as applicable, until the student is enrolled for classes for that period.

(2) Except as provided in paragraph (c)(3) of this section, the earliest an institution may pay directly or credit the account of an enrolled student is 10 days before—

(i) The first day of a payment period or period of enrollment, as applicable; and

(ii) For second and subsequent disbursements of loan funds under the Direct Loan and FFEL programs, the first day of a semester, term, or other period of enrollment for which that disbursement is intended.

(3) Pursuant to § 682.604(c) and § 685.303(b)(4), if a student is enrolled in the first year of an undergraduate program of study and the student has not previously received an FFEL or Direct Loan Program loan, the institution may not release to th student for endorsement the first installment of his or her FFEL or rect Loan Program loan, as applicable, until 30 days after the first day of the student's classes.

(d) *Student authorization.* (1) An institution must obtain from a student or parent, as applicable, written authorization allowing the institution to—

(i) Disburse title IV, HEA program funds by initiating an electronic funds transfer as provided in paragraph (b)(2) of this section;

(ii) Use the student's or parent's title IV, HEA program funds to pay for other charges as provided in paragraph (b)(3)(iv) of this section; or

(iii) Hold excess student funds under paragraph (c) of this section.

(2) In obtaining authorization for any of these activities, an institution—

(i) May not require the student or parent to provide that authorization; and

(ii) Must allow the student or parent to rescind that authorization at any time.

(3) The authorization granted to an institution is valid for the award year or period of enrollment in which the institution obtains that authorization. The Secretary considers that initial authorization to continue to be valid provided that the institution notifies the student or parent of the provisions regarding the student's or parent's current authorization prior to conducting any of the activities that require that authorization for any subsequent award year or period of enrollment. The institution's notice to the student or parent must—

(i) In a plain and conspicuous manner, explain those provisions, including an explanation regarding any interest that the institution earns on the student's funds and whether the institution will provide that interest to the student; and

(ii) Provide the student or parent with the opportunity to cancel or modify those provisions.

(Authority: 20 U.S.C. 1094)

§ 668.166 Excess cash.

(a) *General.* The Secretary considers excess cash to be any amount of title IV, HEA program funds, other than FFEL or Federal Perkins Loan Program funds, that an institution does not disburse to students by the end of the third business day following the date the institution received those funds. Except as provided in paragraph (b) of this section, an institution must return promptly to the Secretary any amount of excess cash in its account.

(b) *Excess cash tolerances.* (1) If an institution draws down title IV, HEA program funds in excess of its immediate cash needs, the institution may maintain the excess cash balance in the account the institution established under § 668.164 only if—

(i) In the award year preceding that drawdown, the amount of that excess cash balance is less than—

(A) For a period of peak enrollment at the institution during which that drawdown occurs, three percent of its total prior-year drawdowns; or

(B) For any other period, one percent of its total prior-year drawdowns; and

(ii) Within the next seven days, the institution eliminates its excess cash balance by disbursing title IV, HEA program funds to students for at least the amount of that balance.

(2) For the purposes of this section, a period of peak enrollment at an institution occurs when at least 25 percent of the institution's students start classes during a given 30-day period. For any award year, an institution calculates the percentage of students who started classes during a given 30-day period by—

(i) For the prior award year in which the 30-day period began, determining the number of students who started classes during that period;

(ii) Determining the total number of students who started classes during the entire award year used in paragraph (b)(2)(i) of this section;

(iii) Dividing the number of students in paragraph (b)(2)(i) of this section by the number of students in paragraph (b)(2)(ii) of this section; and

(iv) Multiplying the result obtained in paragraph (b)(2)(iii) of this section by 100.

(3) For the purpose of determining the total amount of title IV, HEA program funds under paragraph (b)(1)(i) of this section, an institution that participates in the Direct Loan Program may include, for the latest year for which the Secretary has complete data, the total amount of loans guaranteed under the FFEL Program for students attending the institution during that year.

(c) *Consequences for maintaining excess cash balances.* (1) If the Secretary finds that an institution maintains in its account excess cash balances greater than those allowed under paragraph (b) of this section, the Secretary—

(i) As provided in paragraph (c)(2) of this section, requires the institution to reimburse the Secretary for the costs the Secretary deems to have incurred in making those excess funds available to the institution; and

(ii) May initiate a proceeding to fine, limit, suspend, or terminate the institution's participation in one or more title IV, HEA programs under subpart G of this part.

(2) For the purposes of this section, upon a finding that an institution has maintained excess cash, the Secretary—

(i) Considers the institution to have issued a check to a student on the date that the check cleared the institution's bank account, unless the institution demonstrates to the satisfaction of the Secretary that it issued the check shortly after the institution wrote the check; and

(ii) Calculates, or requires the institution to calculate, a liability for maintaining excess cash balances in accordance with procedures established by the Secretary. Under those procedures, the Secretary assesses a liability that is equal to the difference between the earnings that the excess cash balances would have yielded if invested under the applicable current value of funds rate and the actual interest earned on those balances. The current value of funds rate is an annual percentage rate, published in a Treasury Financial Manual (TFM) bulletin, that reflects the current value of funds to the Department of Treasury based on certain investment rates. The current value of

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funds rate is computed each year by averaging investment rates for the 12-month period ending every September. The TFM bulletin is published annually by the Department of Treasury. Each annual bulletin identifies the current value of funds rate and the effective date of that rate.

(Authority: 20 U.S.C. 1094)

PART 674—FEDERAL PERKINS LOAN PROGRAM

1. The authority citation for part 674 continues to read as follows:

Authority: 20 U.S.C. 1087aa-1087hh and 20 U.S.C. 421-429, unless otherwise noted.

2. Section 674.16 is amended by revising paragraph (d) and by revising paragraph (e) to read as follows:

§ 674.16 Making and disbursing loans.

* * * * *

(d) The institution shall disburse funds to a student or the student's account in accordance with the provisions of § 668.165.

(e) The institution shall advance funds to a student in accordance with the provisions of § 668.165.

* * * * *

3. Section 674.19 is amended by revising paragraph (b) to read as follows:

§ 674.19 Fiscal procedures and records.

* * * * *

(b) *Account for Perkins Loan Fund.* An institution shall maintain the funds it receives under this part in accordance with the requirements in § 668.164.

* * * * *

PART 675—FEDERAL WORK-STUDY PROGRAM

1. The authority citation for part 675 continues to read as follows:

Authority: 42 U.S.C. 2571–2756b, unless otherwise noted.

2. Section 675.19 is amended by revising paragraph (a)(3) to read as follows:

§ 675.19 Fiscal procedures and records.

(a) * * *

(3) An institution shall maintain funds received under this part in accordance with the requirements in § 668.164.

* * * * *

PART 676—FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

1. The authority citation for part 676 continues to read as follows:

Authority: 20 U.S.C. 1070b–1070b–3, unless otherwise noted.

2. Section 676.16 is amended by removing paragraph (d), redesignating paragraphs (e), (f), (g), and (h) as paragraphs (d), (e), (f), and (g) respectively, and revising paragraph (c) to read as follows:

§ 676.16 Payment of an SEOG.

* * * * *

(c) An institution shall disburse funds to a student or the student's account in accordance with the provisions in § 668.165.

* * * * *

§ 676.19 [Amended]

3. Section 676.19 is amended by revising paragraph (a)(2) to read as follows:

* * * * *

(a) * * *

(2) An institution shall maintain funds received under this part in accordance with the requirements in § 668.164.

* * * * *

PART 682—FEDERAL FAMILY EDUCATION LOAN (FFEL) PROGRAM

1. The authority citation for Part 682 continues to read as follows:

Authority: 20 U.S.C. 1071 to 1087–2, unless otherwise noted.

2. Section 682.603 is amended by revising paragraph (h) to read as follows:

§ 682.603 Certification by a participating school in connection with a loan application.

* * * * *

(h) Pursuant to paragraph (b)(5) of this section, a school may not request the disbursement of loan proceeds—

(1) For a FFEL loan disbursed by EFT or by master check to a borrower who is not subject to paragraph (h)(2) of this section, earlier than the 13th day before the first day of the student's period of enrollment; and

(2) For a borrower who is enrolled in the first year of an undergraduate program of study and who has not previously received a Stafford or SLS loan, earlier than the 24th day of the student's period of enrollment.

3. Section 682.604 is amended by revising paragraph (c)(2)(ii)(B); by revising paragraph (c)(3)(ii); by revising paragraphs (d)(1)(i) and (ii)(A); and by revising the last sentence of paragraph (d)(1)(ii)(B) to read as follows.

§ 682.604 Processing the borrower's loan proceeds and counseling borrowers.

* * * * *

(c) * * *

(2) * * *

(ii) * * *

(B) Obtain the student borrower's endorsement on the check, endorse the check on its own behalf and, after the student has registered, credit the student's account, in accordance with paragraph (d)(1) of this section, and deliver the remaining loan proceeds to the student, as specified in § 668.165(b)(2).

(3) * * *

(ii) Credit the student's account in accordance with paragraph (d)(1) of this section, notify the student or parent borrower in writing that it has so credited that account, and deliver to the student or parent borrower the remaining loan proceeds, subject to paragraph (d)(2) of this section, not later than—

(A) In the case of a PLUS loan, 45 days after the school's receipt of the funds; and

(B) In the case of a Stafford loan, the timeframe specified in 668.165(b)(2).

* * * * *

(d) * * *

(1)(i) For purposes of paragraphs (c)(2)(ii)(B) and (c)(3)(ii) of this section, a school may not credit a registered student's account earlier than the period specified in § 668.165(c)(2).

(ii)(A) The school may credit a registered student's account with only those loan proceeds covering costs specified in § 668.165(b)(2).

(B) * * * The school shall maintain these funds, as provided in § 668.165(b)(4).

* * * * *

PART 690—FEDERAL PELL GRANT PROGRAM

1. The authority citation for part 690 continues to read as follows:

Authority: 20 U.S.C. 1070a through 1070a–6, unless otherwise noted.

2. Section 690.78 is amended by revising paragraph (a), and by removing paragraph (b), by redesignating paragraphs (c) and (d) as paragraphs (b) and (c), respectively, and by revising redesignated paragraph (c)(1) to read as follows:

§ 690.78 Method of disbursement—by check or credit to a student's account.

(a) An institution shall disburse funds to a student or the student's account in accordance with the provisions in § 668.165.

* * * * *

(c)(1) An institution that intends to pay a student directly must notify the student in accordance with § 668.165(a).

* * * * *

3. Section 690.81 is amended by revising paragraph (b) to read as follows:

§ 690.81 Fiscal control and fund accounting procedures.

* * * * *

(b) An institution shall maintain funds received under this part in accordance with the requirements in § 668.164.

* * * * *

Appendix—Analysis of Comments and Changes

(Note: This appendix will not be codified in the Code of Federal Regulations.)

Section 668.161 Scope and Purpose

Comments: Many commenters supported the Secretary's decision to consolidate, codify, and make uniform the cash management policies and procedures under which an institution requests, maintains, and disburses title IV, HEA program funds. A few commenters believed that the proposed consolidation of cash management policies and procedures would create confusion rather than clarify those policies and procedures because the consolidation was incomplete. Some of these commenters suggested that to facilitate an institution's compliance with all of the cash management policies and procedures, the Secretary should reference in final regulations the other unconsolidated policies and procedures contained in each of the title IV, HEA program regulations.

Commenters writing on behalf of student legal services organizations supported the Secretary's stated goals, but urged the Secretary to incorporate in final regulations the following additional goals:

(1) The promotion of program integrity; and

(2) The mitigation of costs that accrue to a student when title IV, HEA program loan funds are held by an institution and not made available timely to borrowers.

Discussion: As noted in the NPRM and discussed more fully under the heading SUPPLEMENTARY INFORMATION, the Secretary has amended each of the title IV, HEA program regulations to conform with the rules and procedures under these regulations. Although the Secretary agrees that it is preferable to consolidate and make uniform all of the cash management rules and procedures now contained in the title IV, HEA program regulations, the Secretary chose to consolidate and make uniform the requirements only in those areas where there is much commonality among all the title IV, HEA programs. The Secretary notes that other cash management provisions pertain mostly to the areas of fiscal control, accounting and program reporting requirements.

The Secretary believes that the commenter's first goal, to promote program integrity, is accomplished by these regulations. The Secretary agrees to incorporate the second goal suggested by the last commenters, to minimize the costs that accrue to students under the title IV, HEA loan programs, because this goal is in keeping with the Secretary's stated objective of promoting sound cash management practices. Moreover, this goal is consonant with an institution's fiduciary responsibility to hold in trust for the benefit of a student or the Secretary any funds the institution receives under the title IV, HEA programs.

Changes: Section 668.161(a) is revised to (1) articulate the objectives stated by the Secretary in the NPRM that the purpose of these regulations is to promote sound cash management practices by institutions and to minimize the financing costs to the Federal government of making available title IV, HEA program funds to students and institutions, and (2) include the objective suggested by the commenters—to minimize the costs that accrue to students under the title IV, HEA loan programs.

Section 668.162 Definitions

Credit an Account

Comments: Several commenters supported the proposed definition for crediting an account. A few commenters urged the Secretary to clarify in final regulations that listing a student's "estimated financial assistance" on his or her bill is not the same as crediting the student's account. One commenter suggested that the Secretary clarify the meaning of the term "account" in each section where that term is used. One commenter believed this definition should indicate that the payment of title IV, HEA program funds is considered to be credited to the student's account only after the funds have been drawn down.

Discussion: An institution may disburse funds to a student by crediting his or her account. In the context of these regulations, a student's account may be any recordkeeping system that an institution uses to post institutional charges and payments of title IV, HEA program funds. Unless an institution has posted a payment to the student's account the institution's bill to the student may merely indicate his or her "estimated financial assistance." Similarly, with respect to the issue presented by the last commenter, for an institution that establishes a receivable for a student's title IV, HEA program funds by making an accounting entry for those funds, the Secretary considers the disbursement to occur on the date that the institution makes the payment or credits the student's account with the title IV, HEA program funds that the institution drew down or will draw down for that purpose.

Changes: None.

Issue Checks

Comments: Commenters writing on behalf of student legal services organizations contend that it has been common for certain institutions to write checks but not deliver, or deliver belatedly, those checks to students. The commenters expressed concern that the proposed definition of *issue checks* leaves leeway for an unscrupulous institution to delay delivery of the check to a student. The commenters suggested that at the very least the Secretary should in the preamble to the final regulations clarify the meaning of the phrase "release, distribute, or make available" to mean that an institution must mail a check to a student or notify the student by some expeditious means that the check is available and may be picked up immediately by the student.

One commenter recommended that the Secretary provide guidance relating to the use of the term *issue checks* as that term is used in the excess cash section of these regulations.

Discussion: The Secretary considers a check to be issued if it is released, distributed, or made available along the lines suggested by the commenters. The reader is referred to the discussion under the heading *Excess cash* for more information regarding the term *issue checks.*

Changes: The definition of *issue checks* is clarified to provide that an institution issues a check by (1) mailing the check to a student or parent, or (2) notifying the student or parent expeditiously that the check is available on demand for immediate pickup.

Section 668.163 Requesting Funds

Comments: One commenter requested that the Secretary specify in final regulations the requirements for institutions that draw down title IV, HEA program funds through FEDWIRE. Two commenters questioned the reliability of the ACH/EFT (Automated Clearing House/Electronic Funds Transfer) payment system.

A few commenters believed that the 3-day immediate need standard would be onerous and unworkable in view of the excess cash provisions in § 668.166 under which the Secretary considers an institution to have issued a check on the date the check cleared the institution's bank account. These commenters argued that a five-day immediate-need standard would be more reasonable because an institution has no control over when a student cashes his or her check. Another commenter suggested a 15-day immediate-need standard.

One commenter requested clarification regarding the concept of immediate need with respect to making draws against the Federal capital contributions (FCC) for the Federal Perkins Loan Program.

In view of the use of electronic funds transfers (EFT) under which a student borrower would not be required to endorse a loan check, commenters representing student legal services organizations urged the Secretary to establish disbursement procedures that would ensure that a student has adequate control over his or her student aid funds. The commenters were concerned that a borrower not incur excessive interest charges for the time that an institution used his or her loan proceeds, particularly with regard to unsubsidized loans.

Discussion: Under current departmental procedures, an institution that draws down funds through FEDWIRE must use those funds within one business day following its receipt of those funds. The Secretary wishes to clarify that under these regulations an institution must disburse title IV, HEA program funds within three business days following the date that the institution received the funds, regardless of whether the institution drew down those funds through FEDWIRE or under the ACH/EFT system. In addition, the Secretary reiterates that the Department is able to transfer funds electronically to an institution quickly and reliably.

The Secretary disagrees with the commenters who suggested extending the three-day immediate-need standard to five or 15 days to allow for the clearance of checks. The clearance pattern of checks issued by an institution has no bearing on an institution's determination of its immediate cash needs. Under the immediate-need concept, an institution draws down only that amount of cash that it needs to make disbursements to students within a specified time. As long as an institution makes the disbursements within that time, including making disbursements by issuing checks properly, the institution has satisfied the immediate-need standard regardless of when its students cashed the checks after receiving the checks. The reader is referred to the discussion under the heading *Excess cash* for more information regarding the issuance of checks.

The Secretary wishes to make clear that the concept of immediate need also applies to draws of Federal capital under the Federal Perkins Loan Program. Thus, before making a draw of Federal capital an institution must determine whether the cash in its Federal Perkins Loan Fund is sufficient to meet its immediate loan disbursement and administrative needs. The Secretary recognizes that this may be difficult for an institution to accomplish because student loan repayments, the cost of collection activities, and the cost of other administrative actions affect the amount of cash in the Fund. Nevertheless, an institution must view its allocation of Federal capital as it views its authorizations for other title IV, HEA programs and make draws on that allocation only to meet its immediate Federal Perkins Loan cash needs.

Finally, the Secretary agrees that borrowers should not incur unnecessary interest costs on loan funds, particularly during the periods that those funds are held or otherwise used by an institution. If a lender provides by EFT or mastercheck loan funds to an institution well ahead of the time that the institution needs the funds to make disbursements to loan borrowers, an institution may earn and retain interest on those funds. Under the unsubsidized loan programs, a borrower incurs interest costs from the date the lender disbursed the funds to the institution even though the borrower does not benefit from that early disbursement until he or she receives those loan funds.

Changes: Section 668.163 is revised to provide that under § 682.603, in certifying a loan application for a borrower who is not subject to the delayed disbursement provisions in § 682.604(c)(5), an institution may not request that a lender provide by EFT or master check the loan proceeds for the borrower earlier than 13 days before the first day of a student's period of enrollment. The Secretary adds this provision to minimize the interest costs incurred by a borrower during the period in which the borrower does not benefit from the receipt of loan funds. The selection of 13 days is consistent with the number of days that an institution may request and disburse funds that it receives from the Secretary by EFT under all of the other title IV, HEA programs.

Comments: Several commenters urged the Secretary to specify in final regulations the criteria the Secretary considers in determining whether to place an institution on the reimbursement payment method, and to detail the procedures under which (1) an institution may appeal the Secretary's determination, and (2) the Secretary approves an institution's reimbursement request, including the length of time the Secretary takes in approving all or part of that request.

Discussion: The Secretary places an institution on the reimbursement payment method when the Secretary determines that there is a heightened need to monitor Federal funds or when other reasons exist to recover program liabilities through administrative offset The Secretary has sole discretion in making that determination and makes that determination on a case-by-case basis. In addition, the Secretary reserves the authority to require an institution to submit any documentation the Secretary deems appropriate in determining whether to approve an institution's reimbursement request.

Changes: None.

Section 668.164 Maintaining Funds.

Comments: For the following reasons commenters writing on behalf of institutions and higher education organizations suggested that the Secretary adopt the current Federal Perkins Loan program bank account provisions under which an institution is required to either notify its bank of the accounts that contain Federal funds or ensure that the name of the account discloses clearly that Federal funds are deposited into that account. First, the commenters noted that existing State laws may prevent some public institutions from complying with the requirement that the word "Federal" be included in the name of their bank accounts. Second, the commenters believed that either of the proposed requirements would be adequate for Federal purposes.

Another commenter believed that both requirements were necessary to safeguard adequately against the possibility of erroneous levies on an institution's account.

A few commenters urged the Secretary to explain the purpose of the proposed requirement.

Discussion: In proposing that an institution comply with both of these requirements, the Secretary sought to safeguard Federal funds by alerting potential creditors of the institution that Federal funds are contained in the institution's bank account. In the past, some institutions have used Federal funds to secure credit or obtain a loan by misrepresenting to a creditor that the funds in their Federal accounts were the institutions' own funds.

In view of the public comment, the Secretary believes the goal of safeguarding Federal funds is equally accomplished by providing that an institution comply with either of the proposed measures provided that the institution also files with the appropriate State or municipal government entity a UCC–1 statement disclosing that the account contains Federal funds. An institution may satisfy the requirement of notifying its bank of the accounts that contain Federal funds by submitting to the bank a copy of the UCC–1 statement that the institution files with the appropriate State or municipal government entity.

Changes: Section 668.164(a)(2) is revised to provide that an institution (1) may either notify its bank of the accounts that contain Federal funds or ensure that the name of the account discloses clearly that Federal funds are maintained in that account, and (2) except as may be prohibited by State law, must file with the appropriate State or municipal government entity a UCC–1 form.

Comments: A few commenters writing on behalf of institutions and higher education organizations opined that the interest-bearing account requirements would not only prohibit an institution from commingling Federal funds with funds the institution maintains in higher-paying investment accounts but would also force an institution to establish separate accounts for Perkins and non-Perkins related funds. The commenters believed that for an institution to comply with the proposed requirements, the institution would have to establish a vast array of parallel FDIC accounts that would increase greatly the costs of maintaining Federal funds while only marginally reducing the Federal risk. Therefore these commenters, as well as other commenters, suggested that the Secretary include as an option the current Perkins loan requirements under which an institution may maintain Federal funds in an investment account that consists predominately of low-risk income producing securities.

Commenters writing on behalf of business officers stated that most colleges and universities pool their operating funds in a single investment account that is often not a federally insured bank account because (1) the amounts involved far exceed FDIC insurance limits, and (2) the rate of return is much higher on investment opportunities. In addition, these commenters believed that the Secretary should allow an institution that commingles Federal funds with its own funds in a pooled investment account to allocate to the various fund components the interest or investment revenue earned on the pooled funds, instead of requiring the institution to determine the actual interest earned on the Federal-funds component. Further, the commenters opined that an institution would be forced to establish a separate account for title IV, HEA program funds because it will be difficult for the institution to comply with the entire set of proposed requirements that its bank account contain the word "Federal", that it be federally insured, and that the institution be able to account for the actual interest earned on Federal funds if those funds are commingled with the institution's own funds. Moreover, these commenters argued that an institution that uses only its own funds to make disbursements to students prior to drawing down the equivalent amount of title IV, HEA program funds should not have to comply with these requirements because the funds that the institution ultimately draws down lose their "character" as Federal funds when they are received by the institution.

Still other commenters recommended the Federal Perkins Loan Program investment account option, arguing that Federal funds maintained in such an account would provide the Secretary greater security than if the funds were maintained in an FDIC account. The Federal funds would, in effect, be secured by no-risk U.S. Treasury obligations.

One commenter suggested that after one year the Secretary revisit the interest-bearing account provisions to determine if the cost to institutions of carrying out these provisions justify the stated savings to the government and whether the $250 administrative cost allowance is sufficient to cover the costs to institutions of carrying out these provisions. A few other commenters believed that the $250 allowance was too low to cover an institution's administrative expenses and suggested that the Secretary allow an institution to maintain up to one percent of the interest calculated on its annual drawdowns or 15 percent of the interest earned. One commenter believed that the proposed allowance would be sufficient to absorb bank fees because most institutions would be able to avoid monthly service charges by informing their banks that the interest-bearing account contained Federal funds.

A few commenters agreed with the proposed requirement that an institution maintain a interest-bearing account where the institution's prior year draws of Federal funds exceeded $1 million. Other commenters believed that the proposed threshold was too low and would impose financial and administrative burdens on small institutions or on institutions that draw down title IV, HEA program funds only after making disbursements to students. These commenters suggested that the Secretary raise the threshold or establish another measurement for requiring institutions to maintain interest-bearing accounts, such as average monthly account balances.

Discussion: The Secretary acknowledges that while the interest earned on title IV, HEA program funds maintained in investment accounts will offset to a greater degree the costs to the Federal government of making the funds available than if the funds were maintained in an interest-bearing account, the Secretary believes that the investment-account-interest benefit is of secondary importance. In proposing the requirement that an institution maintain a Federally insured interest-bearing account, the Secretary intended primarily to ensure the safety and liquidity of the title IV, HEA program funds maintained temporarily in that account. The Secretary believes strongly that an institution must not place in jeopardy title IV, HEA program funds by maintaining the funds in high-risk, albeit high-yielding, investment accounts—program funds must only be drawn down pending immediate disbursement to students. However, the Secretary finds compelling the argument that Federal funds maintained in a low-risk investment account secured by U.S. Treasury obligations will provide greater security than if the funds were maintained in a Federally insured bank account, provided that an institution maintains sufficient liquidity in that investment account to make required disbursements to students.

The Secretary wishes to clarify that an institution is not required to maintain more than one Federally insured bank account. In addition, regarding the issue of determining the interest earned on title IV, HEA programs where those funds are commingled with an institution's own funds, the Secretary believes than an institution should be able to account adequately for the interest earned on the Federal amounts.

The Secretary disagrees with the commenters who argued that an institution should not be required to comply with the bank account requirements if an institution uses it's own funds to make title IV,HEA program disbursements to students and only draws down the equivalent amount of program funds to replenish its own funds. An institution's Federal bank account is the repository for title IV, HEA program funds and must be so designated for the institution to receive program funds from the Secretary. In addition, an institution must maintain a

Federal account to make deposits of title IV, HEA program funds (for example, a deposit of title IV, HEA program funds made by the institution for a refund of institutional charges).

With regard to the comments regarding the one million dollar threshold requirement, the Secretary agrees that it may not be cost-effective to require small institutions, or institutions that have a practice of drawing down title IV, HEA programs funds only after making disbursements to students, to maintain interest-bearing accounts. Finally, the Secretary believes that the $250 administrative allowance is sufficient to offset an institution's costs of maintaining an interest-bearing account.

Changes: Section 668.164(b) is revised to provide the following. First, an institution may maintain an interest-bearing account in accordance with the current requirements under the Federal Perkins Loan Program. Second, the Secretary has raised the interest-bearing-account threshold requirement from one million dollars to three million dollars. Third, an institution that maintained in the prior award year Federal funds in an interest-bearing account is not required to maintain the interest-bearing account in the current award year if the institution did not earn $250 in interest on the funds maintained in that account in the prior award year. Finally, an institution that demonstrates by its cash management practices that it will not earn more than $250 in interest on title IV, HEA program funds is not required to maintain an interest-bearing account regardless of the amount of its prior-year drawdowns.

As noted under the heading **SUPPLEMENTARY INFORMATION,** the Secretary establishes these interest-bearing-account provisions as performance benchmarks for all institutions. However, the Secretary remains interested in (1) the process by which institutions draw down Federal funds and time within which the funds must be disbursed to students, (2) the maintenance of the funds in interest-bearing accounts, and (3) the use of the funds by an institution while the funds are pending disbursement to students. The Secretary will assess the impact and effectiveness of these provisions and propose new rules, if appropriate, in response to that assessment.

Comments: Several commenters supported the proposed provisions under which the Secretary could require an institution to maintain a separate account for title IV, HEA program funds if the Secretary found that the institution did not account adequately for the receipt, disbursement, or use of those funds.

Commenters writing on behalf of student legal services organizations urged the Secretary to require certain institutions to maintain a separate account for title IV, HEA program funds for the following reasons. First, the separate account requirement is purely within the Secretary's discretion. Second, as proposed, the requirement places the onus on the Secretary to act affirmatively to require the separate account. The commenters believe that given the Department's scarce resources for enforcement actions and absent a requirement that an institution establish a separate Federal bank account, Federal and student funds would be placed in jeopardy unnecessarily. The commenters contend there has been a longstanding and persistent problem at certain institutions caused by commingling Federal funds with operating revenues. The commenters maintained that these institutions fail to pay loan refunds due students and otherwise use Federal funds for other purposes. The commenters cite *U.S.* v. *Kammer,* 1 F. 3d 1161 (11th Cir. 1993) as an example that courts have been reluctant to find culpable such failures by institutions so long as the Department permitted title IV, HEA program funds to be commingled with institutional funds. In addition, the commenters believed that the accounting effort involved for the Department to untangle such commingled funds would be staggering. For these reasons, the commenters feel strongly that the Secretary should exercise his discretion and require an institution to maintain a separate bank account for title IV, HEA program funds, except in cases where the institution has adequate accounting procedures and a demonstrated track record of making student refunds and has otherwise used Federal funds for their intended purposes. Moreover, the commenters argue that the situation presented when a student withdraws and is owed a refund is analogous to the situation where an institution holds excess funds for the benefit of the student, as in proposed § 685.303(c) and § 668.165(b)(4), because under both situations an institution is responsible and liable for those funds. The commenters note that under those proposed regulations, the Secretary requires an institution to maintain excess student funds in a separate bank account.

Discussion: The Secretary has carefully considered the recommendations made by these commenters, but has decided to adopt the structure in the proposed regulations that will not require initially that an institution establish separate accounts for title IV, HEA program funds. Although the Secretary believes that in most instances sound financial management practices will lead an institution to establish such separate accounts, the Secretary will not require this so long as an institution is able to meet its cash management and accounting obligations under the regulations. The Secretary also notes that the court case identified by the commenters encompassed many more fact-specific issues concerning whether and under what circumstances a showing could be made that an institution had willfully converted student refunds. In the *U.S.* v. *Kammer* case cited by the commenters, the Court concluded that the institution's obligation to pay refunds out of its operating funds made it difficult to distinguish between the institution's inability to pay refunds due to financial hardship and a deliberate decision by the institution to misappropriate those funds. The Secretary notes that this analysis is not directly relevant to the question of whether federal funds must initially be placed into a separate bank account, but focuses instead on the institution's conduct in conjunction with its financial operations.

The Secretary wishes to assure the commenters that the Secretary will take appropriate enforcement actions and require an institution that does not account, disburse, or use Federal funds properly to maintain a separate account for those funds.

Changes: None.

Section 668.165 Disbursing Funds

Comments Regarding the Method of Payment

Many commenters recommended that the Secretary modify the proposed EFT payment provisions, under which an institution would need to obtain each award year written authorization from a student or parent to disburse title IV, HEA program funds by that method, by providing that once an institution obtained that authorization, the institution would be required only to provide annual notices to the student or parent to continue to use that initial authorization to make EFT payments in future award years. Still other commenters suggested that the one-time authorization stay in effect until it was cancelled or modified by the student or parent.

Many commenters believed that the requirement that an institution obtain from a student each award year permission to credit his or her account for other cost-of-attendance charges is administratively burdensome and unnecessary because the student may at any time withdraw that permission.

Several commenters believed that the Secretary should allow an institution that obtains permission from the student or parent to apply a student's current title IV, HEA program funds to any outstanding institutional charges.

Discussion: The Secretary agrees that a one-time authorization is adequate, provided that the notice suggested by the first commenters explains in a plain and conspicuous manner the provisions for which a student is granting his or her authorization. The Secretary further agrees to allow the one-time authorization for all circumstances where the institution seeks to obtain a student's permission to perform an activity on behalf of the student.

In addition, the Secretary notes that under both the FFEL and Direct Loan programs an institution must notify a student or the student's parent, in writing, that the institution has credited the student's account. This requirement was established in those programs because a significant amount of time may elapse between the time a borrower signs a promissory note or other document authorizing the transfer of loan funds and the time the funds are applied to the student's account. The Secretary believes that a borrower is entitled to a written disclosure of the date on which the student's account is credited.

Changes: Section 668.165 is revised to include a new paragraph (d) that provides the procedures under which an institution obtains a student's authorization to (1) disburse title IV, HEA program funds to a student, or parent, by initiating an electronic funds transfer, (2) apply a student's title IV, HEA program funds to other charges, or (3) hold excess student funds.

Under these procedures, the institution notice to the student must explain in plain and conspicuous manner the provisions regarding the student's or parent's authorization, including an explanation regarding any interest that the institution earns on the student's funds and whether the institution will provide that interest to the student including an explanation regarding any interest that the institution earns on the student's funds and whether the institution will provide that interest to the student.including an explanation regarding any interest that the institution earns on the student's funds and whether the institution will provide that interest to the student. In addition the notice must provide the student or parent with the opportunity to cancel or modify those provisions.

Also, § 668.165(a) is revised to provide that an institution must notify a student or parent of the amount of title IV, HEA program funds the student can expect to receive, and how and when those funds will be paid.

Comments Regarding Crediting a Student's Account and Allowable Charges

Commenters writing on behalf of business officers believed that the proposed requirements for crediting a student's account assume that institutions have in place elaborate and very detailed accounting systems that enable institutions to analyze the various type of charges and sources of funds posted to student accounts. The commenters contend that most institutions have fairly simple accounting systems where charges are merely posted and payments credited—these systems are not designed to track or to ensure that selected revenue sources are applied to discrete charges. The commenters note that while existing provisions require that an institution may credit a student's account with his or her Federal Pell Grant award only for tuition and fees and room and board charges, those provisions do not present a problem to institutions because the amount of the student's Federal Pell Grant program award seldom exceeds the charges to which it is applied. However, extending the Federal Pell Grant program requirement to all title IV, HEA programs, as proposed, would pose great difficulties for institutions. Therefore, the commenters suggested that the Secretary delete the references to the "application of funds" in proposed § 668.165(b)(1), and replace those references with the term "use the funds." The commenters believe that this substitution would clarify that the Secretary did not intend to require institutions to track funding sources on an individual basis to determine which dollars would be applied to specific institutional charges or which dollars would be become part of a student's credit balance.

A few commenters argued that if the a student's total title IV, HEA program awards were less than the allowable charges assessed by the institution, then any balance on the student's account could result only from crediting the student's account with non-Federal funds. Therefore, the commenters concluded that an institution would not be subject to the proposed credit balance provisions because the student balance would consists solely of non-title IV, HEA program funds. One commenter recommended that the Secretary establish a credit balance threshold of $200. Under that recommendation, an institution would not have to meet the proposed timeframes for student credit balances less than that amount.

Several commenters objected strongly to the proposed definition of allowable charges, under which an institution may apply a student's title IV, HEA program funds only to tuition and fees, and room and board charges unless the institution obtains a student's permission to apply his or her program funds to other cost-of-attendance charges. These commenters argued that it will require costly and unnecessary overhauls to institutions' existing computer and billing systems to account for the application of title IV, HEA program funds to these charges and saw no reason why an institution should be precluded from crediting a student's account without his or her permission for charges that were originally used to determine the student's cost of attendance. Consequently, the commenters suggested that the Secretary maintain the current policy which specifies the charges, such as fines and other non-educational costs, are not allowable.

Other commenters argued that the practical effect of the proposed provisions regarding student consent and allowable charges would be to require institutions to obtain from each student every year written consent to apply the students' title IV, HEA program funds to a wider range of student debts represented in the institution billing system. The commenters maintained that in addition to the burden associated with obtaining this consent, students who decline or, more frequently, neglect to provide such consent will most likely experience disruption in the delivery of their aid awards. The commenters argue that the Secretary's rationale for adopting the Federal Pell Grant program rules overlooks the fact that the dollar amounts of the Federal Pell Grant are so small that they seldom exceed the total of tuition and fees and room and board at most institutions. Consequently, credit balances associated with Federal Pell Grant awards are extremely rare Therefore, the commenters recommended that the Secretary permit institutions to apply title IV, HEA program funds to cost-of-attendance charges as currently allowed under the FFEL and campus-based programs, and impose the proposed restriction on those institutions that charge students for goods and services inappropriately or that withhold student funds inappropriately.

Several commenters noted that under their institutional policies and procedures, a student who has an outstanding balance is allowed to register for an upcoming semester but only with the understanding that his or her title IV, HEA program funds will be used to pay for the outstanding charges. One of these commenters was concerned that the proposed restriction on prior year charges would not only preclude a student from registering until the student paid those charges, but also prohibit a student from charging books in the University book store. A few other commenters believed that it should be the institution's prerogative to determine how to apply payments on a student's account.

A few commenters believed strongly that if a student authorizes an institution to charge him or her for other allowable charges, the institution should be allowed to charge the student for personal and other costs that were included in the "miscellaneous cost" component of the student's cost of attendance, including fines.

One commenter noted that at his institution a non-payment of tuition and other cost-of-attendance charges would result in a block or hold on a student's registration for the following term. Therefore, the commenter argued that it would be irresponsible to allow the student to first take title IV, HEA program funds and use them for non-educational purposes before first assuring that the direct costs of education are paid. The commenter opined that the proposed rule, by requiring permission and allowing the student to rescind that permission at any time, would inadvertently encourage "walkers", i.e., students who get money and walk or leave.

Several commenters recommended that the restriction on prior year charges, as proposed in § 668.165(b)(1), be amended to provide that an institution may not apply the funds that a student is eligible to receive from a title IV, HEA program to any charges the institution assessed the student if those charges were not included in the period of the cost of attendance used by the institution to calculate the student's eligibility for that title IV, HEA program.

Other commenters urged the Secretary to allow institutions to apply any current year's award balance remaining, after application of all current charges, to allowable and prior year charges and other cost-of-attendance charges without seeking the student's permission in advance. The commenters argue that the administrative overhead required to issue checks to students for current year balances, only to bill them for outstanding prior year and other cost-of-attendance charges, does not seem defensible, especially when the students cannot be allowed to return to school with outstanding balances from any prior period or source.

Discussion: The Secretary notes that under the Federal Pell Grant and Direct Loan programs an institution may credit a student's account only for tuition and fees and room and board charges. The Secretary further notes that the restriction on crediting funds to specific charges is statutory (see: sections 401(e) and 455(j) of the HEA) and cannot be changed by the Secretary in regulations. However, as a matter of policy that is in keeping with the statutory provisions that an institution may not retain excess student funds, and based on the presumption that an institution pays those excess funds to a student in a timely manner, the Secretary allows an institution to apply the total amount of these program funds to a student's account. Otherwise, if an institution draws down the total amount of the student's funds, within three days the institution would have to credit the student's account only for the amount of the specified charges and write a check to, or otherwise pay, the student for the amount in excess of those charges. In addition, the Secretary does not require that an institution track the title IV, HEA program funds it applies to a student's account to determine (1) that the funds are used to pay for specific charges, or (2) which funds are in excess of statutory-specific charges. Rather, an institution determines that funds are due to a student if the amount of a student's title IV, HEA program funds exceeds the amount of the specified charges. The institution makes this determination whenever it applies title IV, HEA program funds to the student's account. Although the Secretary proposed policy changes relating to allowable charges and timeframes for paying a student excess funds, the Secretary did not change this concept of applying funds to a student's account. The Secretary recognizes that the statutory restriction on crediting a student's account with Federal Pell Grant Program funds did not pose difficulties for many institutions because the amount of the student award was less than the amount of tuition and fees and room and board charges. However, because the same statutory restrictions apply to Direct Loan Program funds, the Secretary believes that this will no longer be the case when institutions credit a student's account with those loan funds.

With regard to the comments concerning the rationale for limiting the application of title IV, HEA program funds to charges for tuition and fees, and room and board, the Secretary believes that these charges constitute the bulk of the costs that a student is likely to incur at most institutions, and notes that an institution may apply a student's title IV, HEA program funds to those charges without obtaining the student's authorization. Moreover, the Secretary believes that a student should have control over program funds in excess of direct institutional charges— the student uses these funds at his or her discretion to pay for other-cost-of-attendance and other miscellaneous institutional charges. Thus, if a student wishes to charge books and supplies at the institution's book store, the student will grant the proper authorization to the institution. Alternatively, the student may decide to purchase those books and supplies elsewhere. Further, the Secretary believes that students are serious about their education and thus are not likely to jeopardize their standing at an institution by failing to pay past due bills.

The Secretary agrees that it may be burdensome for some institutions to obtain a student's authorization to apply his or her title IV, HEA program funds to other charges and, as discussed previously in this section, the Secretary has taken steps to reduce this burden by removing the proposed requirement that an institution obtain that authorization every award year. The Secretary also agrees that it may be administratively burdensome for some institutions to determine if a student's title IV, HEA program funds exceed allowable charges whenever those program funds are applied to the student's account. The Secretary notes, however, that an institution may mitigate this burden by (1) making an initial determination that the amount of title IV, HEA program funds that the institution will apply to the student's account during a semester, term, or other enrollment period will not exceed the amount of allowable charges the institution assesses the student for that semester, term, or other enrollment period, (2) obtaining the student's authorization to apply program funds to other charges, or (3) paying a student any credit balance within the specified timeframes.

Changes: Section 668.165(b)(2) is revised to clarify that funds are due a student if the amount of a student's title IV, HEA program funds exceed the amount of allowable charges. In addition, § 668.165(b)(4) is revised to include as allowable charges other institutional charges that a student incurs at his or her discretion, provided that an institution has obtained the student's authorization to credit his or her account for those charges.

Comments Regarding the Proposed Timeframes

Several commenters agreed with the proposal that an institution must pay a student directly any balance remaining on his or her account within the later of (1) 7 days after that balance occurs, (2) 14 days after the first day of classes, or (3) 7 days after the student rescinds his or her permission regarding the charges for which the institution may debit the student's account.

One commenter concurred with the Secretary that some institutions maintain for long periods, and use for their own purposes, title IV, HEA program funds in excess of allowable institutional charges. The commenter suggested that those institutions be identified in the Secretary's review of annual compliance audits and penalized accordingly for their non-compliance with Federal regulations.

A number of other commenters argued that the 7-day requirements for paying a student his or her credit balance are unreasonable and burdensome in view of the time it takes for an institution to review, authorize, and write a check. These commenters suggested that the Secretary adopt the proposed 14-day requirement for all credit balance circumstances.

Other commenters agreed with the Secretary that institutions should be required to pay a student the balance on his or her account in a timely manner. However, the commenters argued that since the deadline date for adding classes occurs after the second week of classes for most institutions, the Secretary should allow institutions to pay a student his or her balance no later than 14 days after the institution's deadline date for adding classes, and not 14 days after the start of classes. A few other commenters suggested the 14-day add-period deadline date but suggested that the Secretary also require that all credit balance refunds be paid to students no later than 30 days after the first day of classes. Still other commenters suggested a variety of timeframes ranging from 7 days to 45 days.

A few commenters noted that the add/drop period is a matter of academic policy that is not determined by an institution's business office and therefore should not be affected by Federal cash management rules.

Several commenters noted that some State institutions do not have check writing authority and must follow procedures imposed by the State for requesting checks for students. Some of these commenters recommended that the Secretary allow a State institution 14 days after its add/drop period to pay a student his or her credit balance. In addition, the commenters recommended that the Secretary specify in final regulations that a student must notify an institution in writing if he or she wishes to rescind permission previously granted to the institution to apply title IV, HEA program funds to other cost-of-attendance charges.

One commenter noted that some institutions employ procedures under which credit balance checks are mailed to most students on or around the first day of classes. If a student does not receive a check through that mailing the student may request payment and the institution pays the student almost immediately by means of an "on-demand" check process. If a student does not request payment, the institution mails a check to the student at the end of the month. Therefore, the commenter recommended that the Secretary amend the proposed § 668.265(b)(2) to provide that an institution must pay "or otherwise make available" the balance remaining on the student's account. Similarly, several other commenters suggested that, absent a request from a student, the Secretary should allow an institution to hold the student's credit balance, but be required to pay the student within 7 days after the student makes that request.

The commenters representing student legal services organizations supported the Secretary's 7-14-7 day credit balance requirements, but urged the Secretary to specify in final regulations that, with respect to loan proceeds, the credit balance payment must be made by check or other means that requires the borrower's endorsement or certification. In addition, in view of the use of electronic funds transfers (EFT) under which a student borrower would not be required to endorse a loan check, these commenters urged the Secretary to establish disbursement procedures that would ensure that (1) a student does not incur a loan liability that he or she does not understand or mean to incur, and (2) a student's aid funds in excess of tuition and fees be paid promptly to the student by an institution.

Discussion: The Secretary thanks the commenters for responding to the Secretary's request for comment regarding the proposed credit-balance timeframes. While the Secretary believes strongly that an institution has an obligation to pay a student any funds in excess of institutional charges as soon as possible, in view of the public comment regarding all of the requirements for applying title IV, HEA program funds to a student's account, the Secretary has decided to phase-in over a 2-year period the following requirements. For the award year in which these regulations take effect, July 1, 1995 to June 30, 1996, when an institution applies title IV, HEA program funds to a student's account and determines that any amount of those funds exceeds allowable charges, the institution must pay a student that balance within 21 days of the later of (1) the date that excess balance occurs, (2) the first day of classes of a payment period or period of enrollment, or (3) the date the student rescinds his or her authorization under § 668.165(d). For the award year beginning July 1, 1996 and for subsequent award years, an institution must pay an excess balance to a student within 14 days of the later of events described above. The Secretary does not intend for these requirements to conflict with an institution's academic policies regarding the length of its add/drop period. Rather, the Secretary is interested only in assuring that students receive their funds in a timely manner.

Finally, with regard to the comments that the Secretary establish disbursement procedures that ensure that a student does not unknowingly or unnecessarily incur a loan liability the Secretary notes that these regulations require an institution to both notify a student that loan proceeds have been credited to the student's account and to require institutions to obtain the student's authorization to apply the student's loan proceeds to charges other than tuition and fees and room and board.

Changes: Section 668.165(b) is revised to reflect the timeframes discussed above.

Comments Regarding Early Payments

A few commenters agreed with the proposed requirement that an institution may not credit a student's account or pay the student directly earlier than 10 days before the student starts classes.

Many commenters opposed 10-day early payment requirement on the grounds that (1) the requirement would disadvantage students who incur educationally-related costs prior to those 10 days, or (2) institutions need additional time to prepare bills and to otherwise complete student registrations. Most of these commenters recommended that the Secretary retain the current provisions under which an institution may credit a student's account 21 days before the student start classes. One of these commenters noted that the 10-day requirement would be burdensome for students in study abroad programs.

Discussion: As noted in the discussion under the heading *Credit an account*, the crediting of title IV, HEA program funds to a student's account has no bearing on when an institution bills a student; an institution's bill to a student may indicate that title IV, HEA program funds were credited to the student's account or may merely indicate the expected amounts of those funds. In addition, the Secretary notes a student who does not contract with the institution for room and board or other services does not benefit from any additional time that the institution may have to credit his or her account for these charges or services.

Changes: None.

Comments Regarding Holding Excess Student Funds

Many commenters opposed the proposed requirement that an institution maintain a separate account for holding excess student funds on the grounds that it is unnecessarily burdensome. These commenters opined that most institutions would not offer this service to its students if the Secretary does not remove the separate account requirement.

One commenter suggested an alternative approach under which an institution would hold excess student funds in a separately-designated subsidiary account under its general ledger account. The commenter argued that under this approach, the Secretary could ensure than an institution would segregate student funds without requiring the institution to develop new accounting procedures.

Another commenter requested that the Secretary specify in final regulation that any interest earned on excess student funds accrues to an institution.

Discussion: Based on public comment and further review, the Secretary agrees to remove the proposed separate bank account requirements for holding excess student funds. In proposing that an institution maintain a separate bank account for excess student funds, the Secretary sought to ensure that an institution would not use the funds for its own purposes and thus be unable to provide the funds at the student's request

The Secretary agrees to adopt the commenter's approach, but with some modifications. First, an institution must maintain, at all times, an amount of cash in its bank account that is equal to the amount it holds for students. Second, to safeguard the student's funds, the Secretary prohibits an institution that does not satisfy the standards of financial responsibility under § 668.15 from holding excess student funds.

Finally, the Secretary clarifies that an institution is not required to hold excess student funds and clarifies that any interest earned on those funds accrues to the institution.

Changes: Section 668.165(b)(4) is revised to provide that if an institution chooses to hold excess student funds, the institution (1) must account for those funds in a separately-designated subsidiary ledger account, (2) must maintain at all times in its bank account an amount of cash equal to the funds it holds for the student, (3) may retain any interest earned on the student's funds, and (4) may not hold excess student funds if the Secretary determines that the institution does not meet the standards of financial responsibility under § 668.15.

Section 668.166 Excess Cash

Comments: Several commenters agreed with the proposed excess cash tolerance requirements under which the Secretary would not require an institution to return immediately an amount of title IV, HEA program funds the institution drew down in excess of its immediate needs if that amount was less than $5,000 or, for an institution that drew down in the prior year more than one million dollars, one-half of one percent of those prior year draws. An institution in the latter category would not be required to return an excess cash balance that was less that its threshold amount if the institution drew down within the following seven days an amount greater than that excess cash balance. Other commenters suggested that the Secretary increase the $5,000 tolerance to $10,000 or $30,000.

One commenter writing on behalf of a higher education association believed that the proposed one-half of one percent excess cash tolerance was too low because any interest earned on such amounts may not exceed the transaction costs an institution would incur in returning the excess funds to the Department. For this reason, the commenter suggested that the threshold be increased to three percent of prior-year drawdowns. Alternatively, the commentor suggested that the Secretary either eliminate the percentage threshold or the seven-day drawdown requirement. Other commenters recommended that the threshold requirement be set at one percent, two percent or three percent of an institution's prior year drawdowns, or that institution be allowed greater flexibility in managing its cash needs during peak enrollment periods.

A few commenters recommended that the Secretary conduct a survey to establish a basis for the promulgation of restrictions pertaining to excess cash thresholds. In the meantime, the commenters suggested that the Secretary should limit an institution's ability to participate in the title IV HEA programs if the institution routinely draws down amounts that are unreasonable. These commenters argued that since any earnings on idle funds become the property of the Federal government, the Federal fiscal interest is not at risk, unless an institution uses those funds for its own gain.

Another commenter suggested that for purposes of calculating excess cash balances the Secretary should exclude refund amounts if those refunds were made on a timely basis and disbursed to students within 14 days.

Discussion: Under current Departmental procedures, institutions must return immediately any amount of excess cash greater than $500. In proposing the excess cash tolerances, which would increase this amount, the Secretary intended to reduce administrative burden by providing an institution more latitude in managing its cash needs without compromising the objective that the institution establish sound cash management practices.

The Secretary acknowledged in the preamble to the NPRM that an institution may not always be able to disburse within three business days the amount of title IV, HEA program funds that the institution drew down because of variables beyond its control. Those variables include the failure of students to start classes as anticipated and changes in students' anticipated enrollment status. Although an institution must consider, along with other factors relating to the institution's student enrollment patterns, the effect of these variables in determining its immediate cash needs, it follows that the magnitude of the effect of these variables, in dollars, increases with the number of students enrolled at the institution.

In response to the comments, the Secretary has modified the proposed language to permit an institution to maintain in its federal account for up to seven days an amount of excess funds that is based on a percentage of the total title IV, HEA program funds that the institution drew down during the previous award year. The usual percentage limitation for maintaining excess funds is doubled from the amount set out in the proposed regulations to one percent, with the exception that the percentage tolerance may rise from one percent to three percent during periods of peak enrollment. A peak enrollment period is defined as any 30-day period during which at least 25 percent of the institution's students start classes. The Secretary believes that this increase in acceptable cash levels during peak enrollment periods will provide the institution with an operating tolerance that responds to some of the concerns expressed in the comments, while still ensuring that non-peak cash levels are minimized. Furthermore, the seven-day time limitation for maintaining these funds in the institution's account will further the goal of efficient cash management by requiring that excess funds either be disbursed or returned. Given the increased permissible cash levels of one percent for non-peak enrollment periods and three percent for peak enrollment periods, the Secretary has eliminated the alternative proposed minimum balance of $5,000. The Secretary has decided instead that the percentage levels provide a fairer cash standard because they are responsive to the relative size of the institution and to its specific cash flow patterns.

Changes: The Secretary has revised the regulations to provide that an institution may maintain in its Federal account for up to seven days an amount of excess cash that is less than one percent of the total title IV, HEA program funds that the institution drew down in the prior award year, except that the permissible amount of excess cash may increase to three percent for any 30-day period during which at least 25 percent of the institution's students start classes. The Secretary has also removed the proposed minimum excess cash balance of $5,000 based upon the increase in the allowable percentages.

Comments: Many commenters objected to the provision under which the Secretary would consider an institution to have issued a check on the date the check cleared the institution's account unless the institution demonstrates to the satisfaction of the Secretary that it issued the check shortly after the institution wrote the check. The commenters argued that the Secretary could more reasonably establish that an institution did not issue checks shortly after it wrote the checks by examining the clearance pattern of those checks. In addition, the commenters noted that an institution has no control over how long a student takes to cash a check. Also, the commenters believed that the term "shortly" was vague, and suggested that the Secretary provide guidance as to the documentation an institution should maintain to demonstrate to the Secretary that it issued a check in a timely manner.

Other commenters believed that the provisions allow the Secretary to impose severe sanctions for minor excess cash violations, and suggested that the Secretary establish a graduated scale of sanctions depending on the severity of the violations. The commenters suggest that the Secretary should provide clear parameters or criteria for imposing a sanction, including the amount of excess cash and the number of days the institution maintained the excess cash balances. Moreover, the commenters contend that it would be inappropriate to impose severe sanctions for excess cash violations because there would be no harm to the government—interest that accrues on excess cash balances must be returned to the government and the institution would derive no benefit from holding excess cash.

Several commenters requested that the Secretary define the term "routinely" as that term is used in this section.

Discussion: The Secretary continues to believe that the proposed procedures are reasonable, but believes that some further discussion is needed to explain the circumstances when such an examination would be made to determine if the institution was properly administering the cash balances in its federal account. First, as explained in the regulations, upon a finding of excess cash the Secretary will consider checks to have been issued to students or, in some cases, to their parents, on the date that they were written. If a situation occurs where the Department has identified what appears to be excess cash levels maintained in an institution's account, one way for the institution to reduce the cash levels attributed to its account would be to show that it had promptly issued the checks by mailing them or making them available for immediate pick-up, and that subsequent delays by the recipients in processing the checks are responsible for excess cash that had been attributed to the institution account. The Secretary believes that this procedure provides the proper incentive to an institution to monitor its check issuances to reduce delay between issuance and processing by the recipients, and provides a reasonable administrative review process where the specific cash management practices can be examined on a case-by-case basis if a potential problem is identified.

The Secretary also disagrees with the comments that the proposed penalties are either unnecessary or excessive given that the excess cash balances would be kept in interest bearing accounts. First, not every institution will be required to establish the Federal account as interest bearing, so there will be instances where no interest earnings have been made to offset the costs to the government of providing those funds in advance of the institution's immediate need. Second, the proposed penalties are designed to reimburse the government for the interest costs of providing those funds in advance of the institution's immediate need. For that reason, the penalty is based upon the calculated interest costs to the government, minus a credit for the interest earnings on those funds in the institution's account for that period. The Secretary believes that this is a fair procedure that balances the needs of both the Department and the institution, while furthering the policy objective of encouraging sound cash management.

Finally, the Secretary eliminates the proposed language that prohibited certain excess cash balances within the tolerances given in the proposed regulations if they were "routinely" kept by the institution.

Changes. Sections 668.166(b) and (c) are revised by removing the references to the term "routinely."

[FR Doc. 94-29324 Filed 11-30-94; 8:45 am]

BILLING CODE 4000-01-P

Chapter 5: Accounting Procedures for Title IV Programs

Executive Summary

Accounting is one of the more important responsibilities assumed by institutions participating in Title IV programs. This chapter deals primarily with recommended accounting procedures for institutions. The aim is to help schools identify any areas of difficulty and potential weaknesses in their fiscal management systems. At the same time, schools can identify those areas that are being managed properly and ensure that proper accounting and bookkeeping procedures are performed.

This chapter is a general guide; it is not intended to replace accounting standards established by the American Institute of Certified Public Accountants (AICPA), Financial Accounting Standards Board (FASB), Governmental Accounting Standards Board (GASB), or the concept of generally accepted accounting principles (GAAP).

Key Terms

account number
account payable
account receivable
asset account
capital account
capital reduction account
chart of accounts
checks and balances
clear audit trail
credit
debit
expense account
fund accounting
general ledger
income account
internal control system
journal entry
ledger account
liability account
program balance
reconciliation
restricted funds
revenue account
separation of functions
trial balance

5.1 Institutional Financial Management Systems

Minimum requirements

An institution's financial management system must provide effective control over and accountability for all funds received from the Department of Education Payment Management System (ED/PMS). At a minimum, the institution's system must provide:

- accurate, current, and complete disclosure of the financial status of each program or project sponsored by the U. S. Department of Education (ED);

- records that adequately identify the source and application of funds for sponsored activities and contain information on institutional awards, authorizations, obligations, unobligated balances, assets, income, liabilities, revenues, expenditures, and cash disbursements;

- effective control over and accountability for all funds, property, and other assets, including adequate safeguarding of all such assets and ensuring that they are used solely for authorized purposes;

- comparison of actual expenditure amounts with amounts budgeted for each Title IV program;

- procedures, whenever funds are advanced through ED/PMS, to minimize the time between the transfer of funds from the U.S. Treasury and cash disbursement by the institution, for making disbursements to students as soon as administratively feasible, but no later than three business days following the dates the institution receives the funds;

- procedures in accordance with the applicable terms of the Title IV program for determining reasonableness, allowability, and allocability of costs;

- accounting records that are supported by audit trail documentation; and

- examinations in the form of external or internal audits, which must be made in accordance with generally accepted auditing standards. (See section 6.6 for more information on audits.)

5.2 Bookkeeping and Recordkeeping Activities

Cooperation among offices

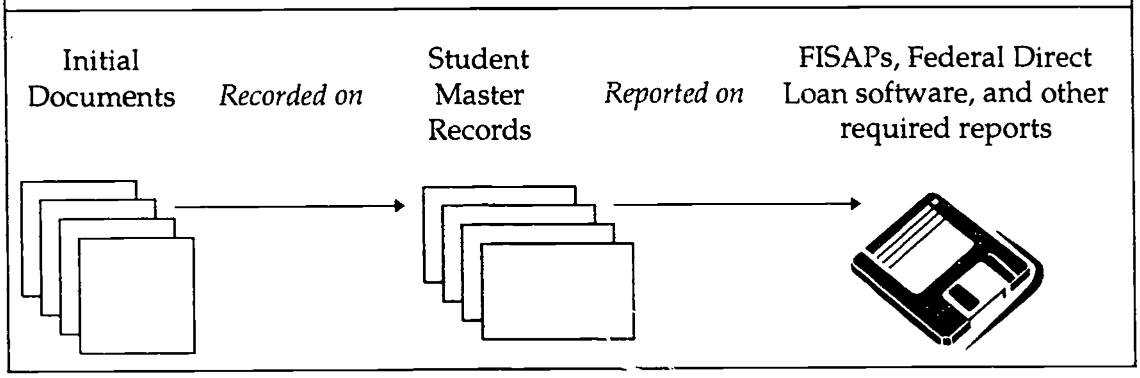
An effective institutional financial aid program requires a cooperative effort among all school offices involved in delivering financial aid to students. Separate reporting and recordkeeping responsibilities required of each office are described in Chapter 2.

The business office is responsible for all financially oriented accounting and recordkeeping activities, except for some detailed records and files on individual students that must be kept in the financial aid office. The remainder of this chapter is designed to help the business office satisfy its accounting responsibilities efficiently and with a minimum of effort.

The following flowchart gives an overview of recordkeeping activities within an institution's financial aid office from initial documents through final reports.

Financial aid office records and activities

Overview of Recordkeeping Activities in a Financial Aid Office



Records to be maintained include:

- a student's application for aid (Free Application for Federal Student Aid [FAFSA]);
- a student's or parent's application for a Federal Family Education Loan or a Federal Direct Loan;
- the school's award notification to the student;
- an award acceptance letter, signed by the student (optional);
- an "authorization to disburse" record from the financial aid office to the business office;*

*This part of the checks and balances process is normally built into automated financial aid systems. As a result, a paper document or memo is not required to be kept on file.

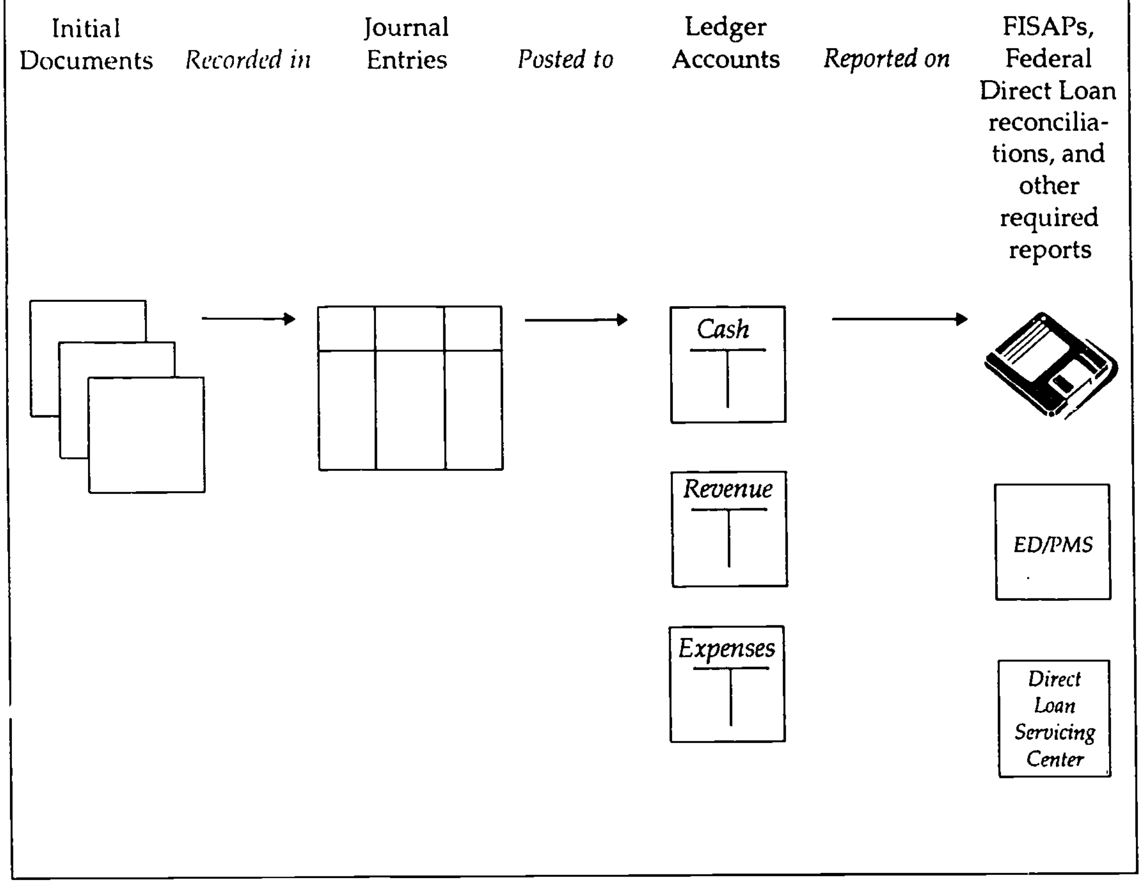
- the record of financial aid received by a student to date;
- the student's eligible noncitizen documentation (if applicable);
- the student's financial aid transcript (if applicable);
- the school's Fiscal Operations Report and Application to Participate (FISAP);
- the school's Federal Direct Loan reconciliation reports;
- the student's Student Aid Report (SAR) or Institutional Student Information Record (ISIR);
- the student's verification data (if applicable); and
- certifications signed by the student—Statement of Educational Purpose, Certification on Refunds and Defaults, Selective Service Statement (if applicable), and other required certifications.

Designing a record-keeping system

Bookkeeping and recordkeeping activities should be designed to enable timely internal and external financial reporting, proper filing of applications, and accurate final reports, as well as to meet documentation requirements for various financial aid programs. When designing an accounting system, the chart of accounts, books of original entry, billing, reporting requirements, and the like should all be taken into consideration. For example, the numerous ledger accounts set up for an institution's Federal Perkins Loan fund are created to assist the school in preparing year-end reports that must be filed with ED. The institution can simply copy the information from its ledgers to the Electronic FISAP format supplied by ED just before closing entries at the end of the award year. This procedure does not allow for destroying original documentation, but it does permit quick and accurate reference to needed information.

Business office activities

Overview of Accounting Activities in a Business Office



The flowchart on this page gives the reader an overview of the accounting activities within an institution's business office, from initial documents through final reports. (The business office may also maintain the Federal Direct Loan reconciliation reports.) With this system in mind, staff can see how the entire system fits together and how the journal entries fit into the system. Examples of initial documents maintained in the business office and posted to ledger accounts include:

- cash receipts,
- checks, and

- original jcurnals.

An important general ledger account is Student Accounts Receivable; each individual student account is a subsidiary of this account. A sample student account is shown below.

Sample Student Account Receivable Card: Tom Sawyer, Fall 1995					
Date	**Item**	**Description**	**Debits (Charges)**	**Credits**	**Balance**
09/03/95	Tuition	12 Credit Hours	$2,000	$0	$2,000
09/03/95	Room	Dorcas Hall	$2,500	$0	$4,500
09/03/95	Board	The Commons	$3,000	$0	$7,500
09/03/95	Aid	Merit Scholar	$0	$2,000	$5,500
09/03/95	Aid	Perkins Loan	$0	$1,000	$4,500
09/03/95	Aid	Stafford Loan	$0	$2,300	$2,200
				Balance Due:	$2,200

5.3 Accounting

A school's financial accounting system must meet both internal and external information needs. The organizational structure of the accounting system should be designed to accommodate these needs.

5.3.1 Fund Accounting

Fund accounting is the method of segregating assets into categories according to restrictions placed on their use by a funding source. Institutions need to consider their fund accounting needs, particularly with respect to restricted funds or funds that are initially restricted, when designing a chart of accounts. The chart of accounts should accurately reflect the school's current organization and programs, and it should have the flexibility to accommodate any future change in the organization.

Appendix F, page F-4, provides more details on changes occurring in fund accounting for postsecondary institutions.

5.3.1.1 Chart of Accounts

Basic ledger accounts

As an aid in discussing records and accounting techniques for financial aid programs, the following summary chart of accounts lists accounts considered necessary for institutions to account properly for Title IV program funds. Whether these accounts are set up in a manual or an automated accounting system does not matter. Either system will need the basic suggested ledger accounts to meet ED's minimum program and fiscal requirements as well as the institution's external reporting requirements, such as basic financial statements and fund statements. Such a system will serve to meet the accounting needs of the institution, ED, and other federal agencies. Additional accounts may be added as deemed necessary by the institution. These accounts should be reviewed at least annually to determine if additions or deletions are necessary to meet changes in federal regulations.

Account numbering method

The chart of accounts is a primary internal control mechanism delineating the framework of the accounts. This chart has two components: (1) an account number (which usually follows a standard account-code structure) and (2) a definition, by name, of the account code. A uniform numbering scheme is used here to assist in identifying the parts of the balance sheet on which ledger accounts are located. The numbers assigned to these ledger accounts are arbitrarily assigned, but in sequential order, and these specific numbers are not required to put these ledgers in place in institutional accounting systems.

In all cases, the first digit of an account number identifies an element of the balance sheet, as follows:

1 - Asset Account

2 - Asset Reduction Account

3 - Liability Account

4 - Capital Account (*or* Program Balance)

5 - Capital Reduction Account

6 - Income Account (Revenue)

7 - Expense Account

Self-balancing accounts

Each federal student financial aid program contains some or all of the elements of the balance sheet outlined here. Each will be self balancing and will be separated completely from other programs and from the general operating fund of the institution. Within each program, the sum of ledger accounts with debit balances equals the sum of ledger accounts with credit balances.

Award authorizations

In the following Summary Chart of Accounts, award authorizations are not shown. It is recommended that they be booked as a memo journal entry or budget item. Then, as award authorizations are adjusted, appropriate adjustments to budget figures would be entered. This process helps ensure that drawdown amounts do not exceed authorization levels.

Note: In the ED/PMS accounts shown in the Summary Chart of Accounts, account # 1-2 (Accounts Receivable, ED/PMS) is used only if an institution does not use the reimbursement payment method for drawing down Title IV funds (34 CFR 668.163[a][3], *Federal Register*, Vol. 59, No. 230, Thursday, December 1, 1994). The accounting for the reimbursement method will not be covered here. However, it should be booked as any other account receivable. Each respective subsidiary ledger would also book the receivable.

Summary Chart Of Accounts

ED/PMS Accounts (Title IV Funds Only, Not Including Federal Direct Loans)

To facilitate the calculations of excess cash and interest earnings on Title IV aid funds (Federal Pell Grant, FSEOG, FWS, and Federal Perkins Programs) and, in accordance with the Cash Management regulations issued on December 1, 1994, separate ED/PMS accounts should be established for Title IV aid funds and for non-Title-IV aid funds. In addition, because the Federal Direct Loan program is not reported on ED/PMS 272 reports (neither quarterly or monthly) and uses a separate ED/PMS account number, its funds would not be included in either of these separate accounts.

1 - Asset Accounts
- 1 - 1 Cash Control, ED/PMS
- 1 - 2 Accounts Receivable, ED/PMS

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts - None*

7 - Expense Accounts - None*

*ED/PMS is the only case in which income and expense ledgers are not maintained.

National Finance Center (NFC) Accounts

NFC accounts are needed to reflect amounts of Title IV program funds disallowed after the program authorization account has been closed (removed from ED/PMS).

1 - Asset Accounts
- 1 - 1 Cash Unremitted to NFC
- 1 - 2 Due from School

3 - Liability Accounts
- 3 - 1 Accounts Payable, NFC

4 - Capital Accounts - None

6 - Income Accounts - None

7 - Expense Accounts - None

Federal Pell Grant Accounts

1 - Asset Accounts
  1 - 1 Cash, Federal Pell Grants

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Revenue Accounts
  6 - 1 Transfer from ED/PMS - Federal Pell Grants for Students
  6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA)

7 - Expense Accounts
  7 - 1 Student Grants Paid - Federal Pell Grant
  7 - 2 Administrative Cost Allowance (ACA) Paid to Institution

Federal Supplemental Educational Opportunity Grant (FSEOG) Accounts

1 - Asset Accounts
  1 - 1 Cash, FSEOG

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
  6 - 1 Transfer from ED/PMS - FSEOG

6 - 2 Institution's Cash Contribution
6 - 3 Institution's Non-cash Contribution (Memo Account)

7 - Expense Accounts
7 - 1 Student Grants Paid - FSEOG
7 - 2 Student Grants - FSEOG from Non-cash Contribution (Memo Account)
7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable)

Federal Work-Study (FWS) Accounts

1 - Asset Accounts
1 - 1 Cash, Federal Work-Study
1 - 2 Accounts Receivable, Off-Campus Entities

3 - Liability Accounts
3 - 1 Federal Income Taxes Withheld
3 - 2 Social Security Taxes Withheld
3 - 3 State Income Taxes Withheld
3 - 4 Other Withholdings
3 - 5 Accrued Wages Payable
3 - 6 Employer's Payroll Taxes Payable

4 - Capital Accounts - None

6 - Income Accounts
6 - 1 Transfer from ED/PMS - Federal Work-Study
6 - 2 Institution's Cash Contribution
6 - 3 Institution's Non-cash Contribution (Memo Account)
6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities
6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

7 - Expense Accounts
7 - 1 Student Wages - On-Campus

7 - 2 Student Wages - On-Campus, Non-cash Contribution for Nonfederal Share (Memo Account)
7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities
7 - 4 Student Wages - Off-Campus, Private For-Profit Entities
7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution
7 - 6 Administrative Cost Allowance (ACA) Paid to Institution

Federal Perkins Loan Accounts

1 - Asset Accounts
- 1 - 1 Cash, Federal Perkins Loans
- 1 - 2 Funds Advanced to Students*

*If the institution tracks funds advanced to students out of school, this information may be placed as a footnote to the subsidiary ledger.

2 - Asset Reduction Accounts
- 2 - 1 Loan Principal Collected
- 2 - 2 Defaulted Loan Principal - Assigned to Federal Government
- 2 - 3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72
- 2 - 4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- 2 - 5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72
- 2 - 6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After
- 2 - 7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After
- 2 - 8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After
- 2 - 9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After
- 2 - 10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

2 - 11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After
2 - 12 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made 7/1/72 and After
2 - 13 Loan Principal Cancelled - Death
2 - 14 Loan Principal Cancelled - Disability
2 - 15 Loan Principal Cancelled - Bankruptcy
2 - 16 Loan Principal Cancelled - Peace Corps or VISTA (15% Rate)
2 - 17 Loan Principal Cancelled - Peace Corps or VISTA (20% Rate)
2 - 18 Loan Principal Cancelled - Head Start (15% Rate)
2 - 19 Loan Principal Cancelled - Volunteer Service (15% Rate)
2 - 20 Loan Principal Cancelled - Volunteer Service (20% Rate)
2 - 21 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (15% Rate)
2 - 22 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (20% Rate)
2 - 23 Loan Principal Cancelled - Nurse/Medical Technician (15% Rate)
2 - 24 Loan Principal Cancelled - Nurse/Medical Technician (20% Rate)
2 - 25 Loan Principal Cancelled - Nurse/Medical Technician (30% Rate)
2 - 26 Loan Principal Cancelled - Child/Family and Early Intervention Service (15% Rate)
2 - 27 Loan Principal Cancelled - Child/Family and Early Intervention Service (20% Rate)
2 - 28 Loan Principal Cancelled - Child/Family and Early Intervention Service (30% Rate)
2 - 29 Loan Principal Adjustments - Other

3 - Liability Accounts - None

4 - Capital Accounts
4 - 1 Federal Fund Balance
4 - 2 Institutional Fund Balance

6 - Income Accounts

- 6 - 1 Funds Transferred from ED/PMS - Perkins - FCC
- 6 - 2 Funds Transferred from Institution - Perkins - ICC
- 6 - 3 Interest Earned on Loans
- 6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
- 6 - 5 Other Earnings - Miscellaneous
- 6 - 6 Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After
- 6 - 7 Repayments to Federal Government
- 6 - 8 Repayments to Institution

7 - Expense Accounts

- 7 - 1 Litigation Expenses
- 7 - 2 Administrative Cost Allowance (ACA) Paid to Institution
- 7 - 3 Other Collection Expenses
- 7 - 4 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72
- 7 - 5 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made 7/1/72 and After
- 7 - 6 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72
- 7 - 7 Cost of Loan Principal and Interest Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After
- 7 - 8 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made 7/1/72 and After
- 7 - 9 Cost of Loan Principal and Interest Cancelled - Death
- 7 - 10 Cost of Loan Principal and Interest Cancelled - Disability
- 7 - 11 Cost of Loan Principal and Interest Cancelled - Bankruptcy
- 7 - 12 Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA
- 7 - 13 Cost of Loan Principal and Interest Cancelled - Head Start
- 7 - 14 Cost of Loan Principal and Interest Cancelled - Volunteer Service

7 - 15 Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer Service
7 - 16 Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician
7 - 17 Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service
7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government
7 - 19 Other Costs or Losses

William D. Ford Federal Direct Loan (Direct Loans) Accounts

1 - Asset Accounts
- 1 - 1 Cash, Federal Direct Loans
- 1 - 2 Accounts Receivable, ED/PMS

3 - Liability Accounts - None

4 - Capital Accounts - None

6 - Income Accounts
- 6 - 1 Income from ED/PMS - Federal Direct Loans
- 6 - 2 Federal Reimbursement of Direct Loan Origination Services Costs

7 - Expense Accounts
- 7 - 1 Funds Advanced to Borrowers
- 7 - 2 Payment for Origination Services (POS)* (Paid to Institution)

*It is also called "fees for origination."

Electronic Funds Transfer (EFT) of Federal Family Education Loan (FFEL) Funds from Lenders to the Institution

1 - Asset Accounts
- 1 - 1 Cash, FFEL Account
- 1 - 2 Cash Returned to Lenders
- 1 - 3 Cash Disbursed to Borrowers
- 1 - 4 Cash, Interest Earnings

3 - Liability Accounts
    3 - 1 FFEL Trust Account

4 - Capital Accounts - None

6 - Income Accounts
    6 - 1 Interest Earnings from Investment of FFEL Funds

7 - Expense Accounts - None

5.3.1.2 ED/PMS Title IV Account

1 - 1 Cash Control, ED/PMS: This account may be a debit or credit balance account depending on the timing of drawdowns and disbursements. It is established to identify the balance of federal cash disbursed to a school through ED/PMS. The system described here segregates federal cash by using separate accounts for ED/PMS-Title-IV-funded programs. These separate ED/PMS accounts reflect only ED/PMS-funded programs and allow reconciliation by combining with the non-Title-IV ED/PMS accounts to the "cash on hand" section of the ED/PMS 272 Report. Separate checking accounts need not be maintained for each program as long as school records indicate precisely where cash was used. (See section 4.5.1.)

Debit this account for:

- All cash received from ED/PMS for all Title IV programs, but not including Federal Direct Loans, Payment for Origination Services, Pell Grants, ACA reimbursement, or Perkins Loan cancellation reimbursements (contra account # 1-2).
- All unexpended cash on programs when accountability has been transferred to NFC (contra account # 1-2).

Credit this account with:

- All cash transferred to programs.
- Excess cash billings paid to National Finance Center (NFC) (contra account # 1-2).

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1 - 2 Accounts Receivable, ED/PMS: This account can be a debit or credit balance account depending on the timing of disbursements and drawdowns. It represents all amounts due from all open-status ED/PMS-funded programs.* The debit balance may exist between the time funds are requested from ED/PMS and the time they are received.

Debit this account for:

- Amount of awards disbursed to students and recorded as income transferred from ED/PMS in each respective Title IV program account.

Credit this account for:

- Cash received from ED/PMS (contra account # 1-1).
- Any unexpended program balances after accountability has been transferred to NFC (contra account # 1-1).

*A different accounting treatment would be necessary if an institution uses the reimbursement payment method for drawing down Title IV funds (34 CFR 668.163 [a][3]. Requesting Funds. *Federal Register*, Vol. 59, No. 230, Thursday, December 1, 1994)

5.3.1.3 National Finance Center (NFC) Account

1 - 1 Cash Unremitted to NFC: This account is used to reflect that a portion of cash is no longer under ED/PMS accountability; the accountability has been transferred to the National Finance Center (NFC).

This cash is segregated when a grant's final closing amount is in dispute. Accounting for the funds here reflects a transfer of accountability from ED/PMS. If more than one program is in dispute, separate subsidiary accounts should be set up for each program. Disallowed expenditures on open, current-year ED/PMS accounts are recorded by reclassifying those expenditures from the specific program account to institutional accounts and then reinstating that same amount from the Title IV program account to the ED/PMS account.

Debit this account for:

- Cash received from the institution for disallowed expenditure (contra account # 1-2).
- Interest earnings on Title IV funds that exceed the regulatory threshold (contra account # 3-1).

Credit this account with:

- Amounts remitted to NFC (contra account # 3-1).

1 - 2 Due from School: This debit balance account reflects amounts due from the school as a result of disallowed expenditures on closed accounts not under ED/PMS accountability.

Debit this account for:

- Billings from NFC for expenditures disallowed by program review or audit, excess cash, and the like (contra account # 3-1).

Credit this account for:

- Cash received from the institution (contra account # 1-1).

3 - 1 Accounts Payable, NFC: This account is normally a credit balance account that reflects any liabilities to NFC as a result of cash accountability separated from ED/PMS as described earlier *or* disallowed expenditures on programs not under ED/PMS accountability *or* excess interest earnings returnable to ED through NFC.

Debit this account for:

- Amounts remitted to NFC (contra account # 1-1).

Credit this account with:

- Billings from NFC (contra account # 1-2).

- Interest earnings returnable to NFC (contra account # 1-1).

5.3.1.4 Federal Pell Grant Account

1 - 1 Cash, Federal Pell Grants: All receipts and disbursements of cash related to the Pell Grant Program are recorded in this account. Typically, this account would show a zero balance after each period's entries are posted, as the transfer of funds from ED/PMS should equal only the amount of grants to be paid immediately to students. (See section 4.3.1.)

Debit this account for:

- Transfers from ED/PMS account (contra account # 6-1).

- Recoveries from recipients (contra account # 7-1).

Credit this account with:

- Payments to students (contra account # 7-1).

6 - 1 Transfer from ED/PMS - Federal Pell Grants for Students: This credit balance account controls the transfer of cash from the ED/PMS account "Cash Control, ED/PMS" to the Pell Grant account "Cash, Federal Pell Grants." Such cash transfers should be made only in the precise amounts needed immediately to pay grants to students. (See section 4.3.1.)

Debit this account for:

- Closing entry at end of accounting fiscal year, the total amount of cash transferred from ED/PMS account to meet disbursement needs for the period (contra account # 7-1).

Credit this account with:

- Cash transferred from ED/PMS account to meet current disbursement needs (contra account # 1-1).

6 - 2 Federal Reimbursement of Pell Grant Administrative Cost Allowance (ACA): This credit balance account is used to deposit the reimbursements received via Electronic Funds Transfer (EFT) from ED for Pell ACA.

Debit this account for:

- Closing entry at end of accounting fiscal year for the amount of Pell ACA reimbursements (contra account # 7-2).

Credit this account with:

- ACA payments received via EFT from ED (contra account # 1-1).

7 - 1 Student Grants Paid - Federal Pell Grant: This debit balance account is maintained to record payments made to students for Pell Grants.

Debit this account for:

- Grant payments made to students (contra account # 1-1).

Credit this account with:

- Recoveries from recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of grant payments made to students for the accounting period (contra account # 6-1).

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This debit balance account is maintained to record payments made to the institution for administrative costs. This amount cannot exceed the amount set by regulations.

Debit this account for:

- ACA paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

5.3.1.5 Federal Supplemental Educational Opportunity Grant (FSEOG) Account

1 - 1 Cash, FSEOG: All receipts and disbursements of cash related to the Federal Supplemental Educational Opportunity Grant (FSEOG) Program are recorded in this account. Typically, this account shows a zero balance after each period's entries are posted, as the transfer of funds from ED/PMS should be only for the amount of grants to be paid to students immediately and for administrative expenses. (See section 4.3.1.)

Debit this account for:

- Transfers from ED/PMS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).

Credit this account with:

- Payments to students (contra account # 7-1).
- Payments to institution for administrative cost allowance (contra account # 7-3).

6 - 1 Transfer from ED/PMS - FSEOG: This revenue account is maintained to control the transfer of cash from the ED/PMS account "Cash Control, ED/PMS" to the FSEOG account "Cash, FSEOG." Such transfers of cash should be made only in the precise amounts needed to pay awards and administrative cost allowance (if applicable) on a current basis.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 7-1, 7-3).

Credit this account with:

- Amounts of cash transferred from the ED/PMS account to meet the federal share of current FSEOG grants (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is maintained to record cash contributions made by the institution to provide (together with any non-cash contribution) the nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of current FSEOG grants (contra account # 1-1).

6 - 3 Institution's Non-cash Contribution (Memo Account): This credit balance account is maintained to record non-cash contributions made by the institution to provide (together with any cash contribution) the required nonfederal share of FSEOG grants.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts as the nonfederal share of FSEOG awards at end of accounting fiscal year (contra account # 7-2).

Credit this account with:

- Non-cash contributions provided from institutional resources to pay the nonfederal share of current FSEOG grants, including payments made directly to students from institutional funds (contra account # 7-2).

7 - 1 Student Grants Paid - FSEOG: This expense account is maintained to help prepare required FSEOG program reports. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of FSEOG grants. The debit balance in this account combined with account # 7-2, before closing, should agree with the sum of the individual award amounts shown in student records as FSEOG grants for the current year. (Student master records are discussed in section 2.8.9.)

Debit this account for:

- Payments to students for FSEOG grants (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

7 - 2 Student Grants - FSEOG From Non-cash Contributions (Memo Account): This expense account is used if the institution makes non-cash contributions and pays students a portion of their FSEOG grants directly from institutional resources.

Debit this account for:

- Payments to students for FSEOG grants from institutional resources (contra account # 6-3).

Credit this account for:

- Closing entry at end of accounting fiscal year (contra account # 6-3).

7 - 3 Administrative Cost Allowance (ACA) Paid to Institution (if applicable): This expense account is used to record administrative cost allowance as it is paid to the institution. Such payments are limited by regulations and may not be made from FSEOG funds unless students received FSEOG funds during the period. (See section 3.3.)

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 6-1).

5.3.1.6 Federal Work-Study (FWS) Account

1 - 1 Cash, Federal Work-Study: All receipts and disbursements of cash related to the Federal Work-Study (FWS) Program are recorded in this account. Any debit balance remaining after payroll payment should consist solely of institutional and/or off-campus employer funds, as federal funds should be transferred from the ED/PMS Cash Control Account (ED/PMS account # 1-1) only in the precise amount needed for the federal share of current disbursements. (See section 4.3.1.)

Debit this account for:

- Federal contributions transferred from ED/PMS account (contra account # 6-1).
- Cash contributions of the institution (contra account # 6-2).
- Cash payments of off-campus employers (contra account # 1-2).
- Cash paid into fund by the institution for later payment of employer's share of payroll taxes (contra account # 3-6).
- Cash contributions paid by the institution for off-campus employers that have not paid their nonfederal share (contra account # 1-2).

Credit this account with:

- Federal share of on-campus compensation and federal and nonfederal shares of off-campus compensation to students (contra accounts # 3-5, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Refund of contribution to the institution (contra account # 6-2).
- Refund of contribution to off-campus employers (contra account # 1-2).
- Payment for compensation withheld (contra accounts # 3-1, 3-2, 3-3, 3-4).
- Payment of employer's payroll taxes (contra account # 3-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

1 - 2 Accounts Receivable, Off-Campus Entities: This account is used to record the amounts due from off-campus employers for the nonfederal share of student wages. Separate subsidiary accounts should be set up for each off-campus entity.

Debit this account for:

- Amounts to be provided by the off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra accounts # 6-4, 6-5).
- Refunds to off-campus employers of excess cash contributions (contra account # 1-1).

Credit this account for:

- Cash paid by off-campus employers (contra account # 1-1).
- Cash paid by institution for off-campus employers that have not paid their nonfederal share (contra account # 1-1).

3 - 1 Federal Income Taxes Withheld

3 - 2 Social Security Taxes Withheld*

3 - 3 State Income Taxes Withheld

3 - 4 Other Withholdings

These accounts are used to record the tax amounts withheld from the pay of students employed under the Federal Work-Study Program, if withholding is necessary.

*Full-time students working in FWS jobs need not pay FICA if they are employed on campus

Debit these accounts for:

- Taxes paid to the appropriate agency for federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra account # 1-1).

Credit these accounts with:

- Amounts withheld from students' pay for payment of federal income taxes, Social Security taxes (when applicable), state income taxes, and other taxes (contra accounts # 7-1, 7-3, 7-4).

3 - 5 Accrued Wages Payable: This account is used to accumulate student wages earned but not paid at the end of a report period. This is necessary because the Federal Work-Study portion of the FISAP report requires compensation earned during the reporting period to be reported, regardless of when it is paid. The drawdown of cash from the ED/PMS Cash Control Account is on a cash basis, and funds are not drawn down until accrued wages have actually been disbursed (paid).

Debit this account for:

- Amounts of gross compensation earned in the previous reporting period and paid during the current period (contra account # 1-1).

Credit this account with:

- Gross compensation earned, but not yet paid at the end of the reporting period (contra accounts # 7-1, 7-2, 7-3, 7-4).

3 - 6 Employer's Payroll Taxes Payable: This credit balance account is maintained to record the amount of payments due to be made by the institution for the employer's share of payroll taxes on accounts of students employed under the Federal Work-Study Program. Federal Work-Study funds may not be used to pay any portion of such taxes. In some systems, the employer's share of payroll taxes is handled directly from the general fund, and off-campus employers' payments for their share of payroll taxes are reimbursed to the general fund rather than transferring the amount into the

FWS fund. In this case, account # 3-6 would not be needed in the FWS set of accounts.

Debit this account for:

- Amounts of payroll taxes paid (contra account # 1-1).

Credit this account with:

- Amounts of payroll taxes payable from cash amounts transferred by the institution or off-campus employers for payment of their share of payroll taxes (contra account # 1-1).

Note: A student may be exempt from withholding while enrolled. But if the student is employed between terms or in the summer, when the student is not enrolled, withholding must be made.

6 - 1 Transfer from ED/PMS - Federal Work-Study: This credit balance account controls the transfer of cash from the ED/PMS account, "Cash Control, ED/PMS" to the FWS account, "Cash, Federal Work-Study." Such transfers of cash should be made only in the precise amounts needed for the federal share of current payroll, plus administrative expenses and Job Location and Development Program expenses. No transfer of cash should occur until the federal share of the currently payable payroll has been calculated. (See section 4.3.1.)

Debit this account for:

- The federal share of wages earned (contra accounts # 7-1, 7-3, 7-4).
- Administrative expenses paid to the institution (contra account # 7-6).
- Job Location and Development Program expenses paid to the institution (contra account # 7-5).

Credit this account with:

- Amounts of cash transferred from the ED/PMS account "Cash Control, ED/PMS" to meet current disbursement needs (contra account # 1-1).

6 - 2 Institution's Cash Contribution: This credit balance account is used only if the institution transfers cash to provide the required percent of the nonfederal share of student wages on campus, then pays both the federal share and nonfederal shares of campus wages from these accounts.

Debit this account for:

- Refund to the institution of excess cash advances (contra account # 1-1).

- Closing entry, the nonfederal share (that is, the share for which Federal Work-Study funds are not available) of cash wages paid to students employed on campus (contra account # 7-1).

Credit this account with:

- Amounts of cash provided by the institution to pay its share of on-campus student wages (contra account # 1-1).

6 - 3 Institution's Non-cash Contribution (Memo Account): This credit balance account records the amount of wages "paid" to students by the institution through tuition rebates and other such non-cash means, as well as amounts paid directly to students from institutional funds.

Debit this account for:

- Closing entry, the cash value of all tuition rebates or similar credits to student accounts made by the institution during the reporting period as its share of on-campus student wages (contra account # 7-2).

Credit this account with:

- Each pay period, the cash value of all tuition rebates or similar credits to student accounts and amounts paid to students directly by the institution as its share of on-campus student wages (contra account # 7-2).

6 - 4 Off-Campus Employer's Contribution, Public/Private Nonprofit Entities

6 - 5 Off-Campus Employer's Contribution, Private For-Profit Entities

These credit balance accounts are maintained to record contributions due from off-campus employers to provide the required percent (or greater) of the nonfederal share of student wages earned off campus.

Debit these accounts for:

- Closing entry, nonfederal share (that is, the share for which Federal Work-Study funds are not available) of wages paid to students employed off campus (contra accounts # 7-3, 7-4).

Credit these accounts with:

- Amounts to be provided by off-campus employers to pay the required percent of the nonfederal share of wages of students employed off campus (contra account # 1-2).

7 - 1 Student Wages - On-Campus: This expense account is maintained to record the federal share of Federal Work-Study wages. If the institution transfers cash to provide the required percent of the federal share, then this account would record both the federal and nonfederal shares of wages. This account may be further subdivided into categories such as instruction, research, public service, and so on, to facilitate nonfederal functional reporting.

Debit this account for:

- The federal share of wages earned by students in on-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 1-1, 3-1, 3-2, 3-3, 3-4, 3-5).

Credit this account with:

- As a closing entry, the federal share of wages earned on campus (contra account # 6-1).

7 - 2 Student Wages - On-Campus, Non-cash Contribution for Nonfederal Share (Memo Account): This expense account is maintained to record the nonfederal share of student wages paid from the institution's funds or through tuition rebates or similar credits.

Debit this account for:

- The nonfederal share of wages earned by students in on-campus employment and paid directly from the institution's funds (contra account # 6-3).

- The nonfederal share of wages "paid" to students through tuition rebates and other non-cash means (contra account # 6-3).

Credit this account for:

- As a closing entry, the nonfederal share of wages earned on campus (contra account # 6-3).

7 - 3 Student Wages - Off-Campus, Public/Private Nonprofit Entities

7 - 4 Student Wages - Off-Campus, Private For-Profit Entities

These expense accounts are maintained to help prepare required Federal Work-Study Program reports.

Debit these accounts for:

- Gross amount of wages earned by students in off-campus employment from the first day to the last day of the reporting period (posted from payroll vouchers, adjusted as necessary for accruals) (contra accounts # 3-1, 3-2, 3-3, 3-4, 3-5).

Credit these accounts with:

- Closing entry for the nonfederal share of wages earned off campus (contra accounts # 6-4, 6-5).

- The federal share of wages earned off campus (contra account # 6-1).

7 - 5 Regular Job Location and Development (JLD) Expenses Paid to Institution: This expense account is maintained to record payments made to the institution for Job Location and Development Program expenses. This amount cannot exceed the lesser of $50,000 or 10 percent of the institution's Federal Work-Study (FWS) authorization for the award year to locate and develop off-campus jobs, including community-service jobs. Jobs located or developed under the program may be for either a for-profit or nonprofit employer. A school is not allowed to use its JLD allocation to locate on-campus service jobs. The federal funds that a school sets aside from its FWS allocation to be used for JLD activities may be used to pay up to 80 percent of allowable costs. The school must provide the remaining 20 percent of allowable costs, either in cash or services.

Debit this account for:

- Amounts paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the amounts paid to the institution during the reporting period (contra account # 6-1).

7 - 6 Administrative Cost Allowance (ACA) Paid to Institution: This expense account is maintained to record payments made to the institution in reimbursement for administrative expenses. Such payments to the institution have totals limited by regulations, and they may not be made from FWS funds unless students earned FWS wages during the period. (See section 3.3.)

Debit this account for:

- Payments to institution for administrative expenses (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period, the total amount paid to the institution during the reporting period (contra account # 6-1).

5.3.1.7 Federal Perkins Loan Account

1 - 1 Cash, Federal Perkins Loans: This is a debit balance account that shows the total cash available.

Debit this account for:

- Federal capital contributions (FCCs) as transferred from ED/PMS cash (contra account # 6-1).
- Institutional capital contributions (ICCs) as transferred from institutional cash (contra account # 6-2).
- Refunds of amounts advanced to students (contra account # 1-2).
- Collections of loan principal from borrowers (contra account # 2-1).
- Collections of loan interest from borrowers (contra account # 6-3).
- Collections of late charges assessed (contra account # 6-4).
- Collections of penalty charges assessed (contra account # 6-5).
- Other income (contra account # 6-5).
- Reimbursements from the U.S. government on loan cancellations (contra account # 6-6).
- Repayments from borrowers for litigation expenses (contra account # 7-1).
- Collections of borrower-paid collection costs from gross-remittance collection agencies (contra account # 7-3).

Credit this account with:

- Advances to students (contra account # 1-2).
- Overpayments refunded to borrowers (contra account # 2-1).
- Reversals of payments made by returned check (contra accounts # 2-1, 6-3, 6-4, 6-5, 7-3).
- Repayments of capital to the U.S. government (contra account # 6-7).
- Repayments of capital to the institution (contra account # 6-8).
- Withdrawals of late charges payable to the institution (contra account # 6-4).
- Withdrawals for payment of litigation expenses (contra account # 7-1).
- Withdrawals for administrative cost allowance (contra account # 7-2).
- Withdrawals for payment of collection costs to gross-remittance collection agencies (contra account # 7-3).
- Withdrawals for payment of other collection expenses (contra account # 7-3).

1 - 2 Funds Advanced to Students: This debit balance account is a control account for advances to borrowers. The total of the amounts shown as advances on individual student master records for all students should be reconciled to the balance in this account at the end of each month. (See section 2.8.9.)

Debit this account for:

- The amount advanced to borrowers (contra account # 1-1).

Credit this account with:

- Any return of advances made (contra account # 1-1).

2 - 1 Loan Principal Collected: This is a credit balance account maintained to show the total amount of loan principal collected since the beginning of the program.

Debit this account for:

- The principal amount of returned checks (contra account # 1-1).
- Overpayments refunded to borrowers (contra account # 1-1).

Credit this account with:

- The amount of cash collections related to loan principal (contra account # 1-1).
- Reclassification of the amount of interest paid that is subsequently cancelled (contra account # 2-1).

2 - 2 Defaulted Loan Principal - Assigned to Federal Government: This credit balance account is maintained to show the cumulative amount of defaulted loan principal assigned to and accepted by the U.S. government.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- The amount of loan principal assigned to and accepted by the U.S. government on loans in default (contra account # 7-18).

2 - 3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72

2 - 4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72

2 - 5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Accounts # 2-3, 2-4, and 2-5 may be merged and maintained as one account and titled "Loan Principal Cancelled - Loans Made Prior to 7/1/72."

2 - 6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After

2 - 7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

2 - 8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

2 - 9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

2 - 10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

2 - 11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

2 - 12 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made 7/1/72 and After

2 - 13 Loan Principal Cancelled - Death

2 - 14 Loan Principal Cancelled - Disability

Accounts # 2-13 and 2-14 may be merged and maintained as one account and titled "Loan Principal Cancelled - Death or Disability."

All other cancelled-loan entries are similar and are not shown here. Refer to the chart of accounts in section 5.3.1.1 for the other cancellation accounts.

These separate cancellation accounts are maintained to show the cumulative amounts of loan principal cancelled under the provisions of the law.

Debit these accounts for:

- No entries, except for correcting errors.

Credit these accounts with:

- Amounts of each appropriate category of loan principal cancelled under the provisions of the law (contra accounts # 7-4 through 7-17).

2 - 29 Loan Principal Adjustments - Other: This is a credit balance account maintained to show the cumulative total amount of loan principal lost because of other reasons (such as write-offs) as specified by ED. Each credit entry to this account should be adequately labeled to identify the reason for the adjustment.

Debit this account for:

- No entries, except for correcting errors.

Credit this account with:

- Amount of loan principal lost because of other approved reasons (write-offs) (contra account # 7-19).

4 - 1 Federal Fund Balance: This is a credit balance account maintained to show the federal share of the fund balance.

This account should always show a credit balance for the federal share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (federal share of contra accounts # 6-1, 6-3 through 6-7, 7-1 through 7-19).

4 - 2 Institutional Fund Balance: This credit balance account is maintained to show the institutional share of the fund balance. This account should always show a credit balance for the institutional share of income and expenses since the school began participating in the program.

Credit this account with:

- Closing entry at end of accounting fiscal year (institutional share of contra accounts # 6-2 through 6-6, 6-8 through 7-19).

6 - 1 Funds Transferred from ED/PMS - Perkins - FCC: This debit balance account is maintained to track the total FCC transferred to the Perkins Loan fund from the ED/PMS cash control account.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

Credit this account with:

- Transfer from ED/PMS - FCC (contra account # 1-1).

6 - 2 Funds Transferred from Institution - Perkins - ICC: This debit balance account is maintained to track the total ICC transferred to the Perkins Loan fund from the institution.

Debit this account for:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

Credit this account with:

- Mandatory transfers of the institution's matching share of the Perkins Loan allocation. This is one-third ($33^1/_3$ percent) of the FCC amount *or* one-quarter (25 percent) of the combined FCC *plus* ICC (contra account # 1-1).

6 - 3 Interest Earned on Loans: This credit balance account is maintained to show the total interest that has been collected or has been cancelled because of teaching service, military service, death, or any other authorized cancellation. It also includes interest from loans assigned to ED.

Debit this account for:

- The interest amount of returned checks and correction of errors (contra account # 1-1).
- Reclassification of the interest amount paid that is subsequently cancelled (contra account # 2 -1).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- The amount of loan interest collected (contra account # 1-1).
- The amount of loan interest cancelled for teaching service (contra accounts # 7-4, 7-5).
- The amount of loan interest cancelled for Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After (contra account # 7-7).
- The amount of loan interest cancelled for military service (contra accounts # 7-6, 7-8).
- The amount of loan interest cancelled for death (contra account # 7-9).
- The amount of loan interest cancelled for disability (contra account # 7-10).

- The amount of loan interest cancelled for bankruptcy (contra account # 7-11).
- The amount of loan interest cancelled for Peace Corps or VISTA (contra account # 7-12).
- The amount of loan interest cancelled for Head Start (contra account # 7-13).
- The amount of loan interest cancelled for Volunteer Service (contra account # 7-14).
- The amount of loan interest cancelled for Law Enforcement and Corrections Officer (contra account # 7-15).
- The amount of loan interest cancelled for Nurse/Medical Technician (contra account # 7-16).
- The amount of loan interest cancelled for Child/Family and Early Intervention Service (contra account # 7-17).
- The amount of loan interest related to defaulted loans assigned to the U.S. government (contra account # 7-18).
- The amount of loan interest written off for other costs or losses (specify) (contra account # 7-19).

6 - 4 Other Earnings - Late Charges on Loans Made 7/1/87 and After: This credit balance account is maintained to show the earnings of the fund due to late charges assessed on loans made after 7/1/87.

Debit this account for:

- Late charge amounts reimbursed to the institution (contra account # 1-1).
- Late charge amounts of returned checks (contra account # 1-1).
- Late charge amounts for correcting errors.

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Late charges assessed and collected (contra account # 1-1).
- Amounts reimbursed by the institution for the late charge portion of returned checks (contra account # 1-1).
- Late charges accrued and written off (contra account # 7-18).

6 - 5 Other Earnings - Miscellaneous: This credit balance account is maintained to show the earnings of the fund (other than interest on student loans or late charges assessed on loans made 1/1/86 and after), such as penalty charges on loans made 12/31/85 and before, and interest earned on fund cash balances. As it will be necessary to report separately on each type of earnings (penalty charges, interest, earnings, and so on), a subsidiary ledger account for each type of earnings is desirable. There may be periods when slack demand for loans, coupled with funds received for collection activities, might produce a temporary excess cash balance in the Perkins Loan fund; as a result, institutions are now required to maintain fund balances in insured interest-bearing accounts. (See section 4.5.)

Debit this account for:

- Penalty charges for returned checks (contra account # 1-1).
- Correcting errors.
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Penalty charges assessed and collected (contra account # 1-1).
- Interest earned on fund cash (contra account # 1-1).
- Any other earnings of the fund (contra account # 1-1).

- Penalty charges accrued and written off (contra account # 7-19).

6 - 6 Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After: This credit balance account is maintained to show the amounts received from the U.S. government as a result of reimbursements on loans cancelled for teaching (Head Start) and military service on loans made 7/1/72 and after, for Peace Corps or VISTA service for loans made after 6/30/87, for employment in law enforcement or as a corrections officer for loans made on or after 11/29/90, and for all cancellations authorized by the 1992 reauthorization of the Higher Education Act (HEA).

Debit this account for:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

Credit this account with:

- Amounts received from the U.S. government for reimbursement of the aggregate amount of institutional funds plus federal funds cancelled due to any of the authorized cancellation provisions (contra account # 1-1).

6 - 7 Repayments to Federal Government: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund.

Debit this account for:

- Amount of the appropriate federal capital contribution (FCC) repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-1).

6 - 8 Repayments to Institution: This debit balance account is maintained to show the total distribution of fund capital in case of partial dissolution of the Perkins Loan fund and to show when an institution withdraws an overmatch.

Debit this account for:

- Amount of the appropriate institutional capital contribution (ICC) repaid in partial dissolution of the fund (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra account # 4-2).

7 - 1 Litigation Expenses: This is a debit balance account maintained to show the net amount paid for litigation arising in connection with Federal Perkins Loans.

Debit this account for:

- Amounts paid for litigation expenses (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers in repayment of litigation expenses (contra account # 1-1).

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 2 Administrative Cost Allowance (ACA) Paid to Institution: This is a debit balance account maintained to show the amount of administrative expenses charged to the fund in lieu of reimbursement to the institution. Such payments to the institution are limited in total by regulations and may not be made from the Perkins Loan fund unless students receive advances of Perkins Loan funds during the award period. (See section 3.3.)

Debit this account for:

- Amounts charged to the fund as authorized administrative cost allowance (ACA) (contra account # 1-1).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 3 Other Collection Expenses: This is a debit balance account maintained to show the net amount charged to the fund for collection expenses other than costs of litigation, such as commissions (as approved by the U.S. Secretary of Education) paid to a collection agency.

Debit this account for:

- Amounts authorized to be charged to the fund as other collection expenses (contra accounts # 1-1 or 2-1).

- Amount of borrower-paid collection cost portion of returned checks (contra account # 1-1).

Credit this account with:

- Amounts collected from borrowers in repayment of costs of collection other than litigation expenses (contra account # 1-1).

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 4 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72

7 - 5 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made 7/1/72 and After

These debit balance accounts are maintained to show the total cost of cancellations for teaching service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for teaching service (contra accounts # 2-3, 2-4, 2-6, 2-7, 2-8, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 6 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72

7 - 7 Cost of Loan Principal and Interest Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After

These debit balance accounts are maintained to show the total cost of cancellations for military and teaching service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for these specific service areas (contra accounts # 2-5, 2-9, 2-10, 2-11, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 8 Cost of Loan Principal and Interest Cancelled - Military Service 7/1/72 and After

These debit balance accounts are maintained to show the total cost of cancellations for military service.

Debit these accounts for:

- Amounts of total principal and interest cancelled for military service (contra accounts # 2-12, 6-3).

Credit these accounts with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 9 Cost of Loan Principal and Interest Cancelled - Death: This is a debit balance account maintained to show the total cost of cancellations for death.

Debit this account for:

- Amounts of total principal and interest cancelled for death (contra accounts # 2-13, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 10 Cost of Loan Principal and Interest Cancelled - Disability: This is a debit balance account maintained to show the total cost of cancellations for disability.

Debit this account for:

- Amounts of total principal and interest cancelled for disability (contra accounts # 2-14, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 11 Cost of Loan Principal and Interest Cancelled - Bankruptcy: This is a debit balance account maintained to show the total cost of cancellations for bankruptcy.

Debit this account for:

- Amounts of total principal and interest cancelled for bankruptcy (contra accounts # 2-15, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 12 Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA: This is a debit balance account to show the total cost of principal and interest cancelled for service in the Peace Corps or VISTA for loans made after June 30, 1987.

Debit this account for:

- Amounts of total principal and interest cancelled for service in the Peace Corps or VISTA (contra accounts # 2-16, 2-17, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 13 Cost of Loan Principal and Interest Cancelled - Head Start: This is a debit balance account to show the total cost of principal and interest cancelled for the Head Start Program.

Debit this account for:

- Amounts of total principal and interest cancelled for the Head Start Program (contra accounts # 2-18, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 14 Cost of Loan Principal and Interest Cancelled - Volunteer Service: This is a debit balance account to show the total cost of principal and interest cancelled for volunteer service.

Debit this account for:

- Amounts of total principal and interest cancelled for volunteer service (contra accounts # 2-19, 2-20, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 15 Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer: This is a debit balance account to show the total cost of principal and interest cancelled for borrowers employed in law enforcement or corrections.

Debit this account for:

- Amounts of total principal and interest cancelled for a borrower's employment as a law-enforcement or corrections officer (contra accounts # 2-21, 2-22, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 16 Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician: This is a debit balance account to show the total cost of principal and interest cancelled for a borrower's employment as a nurse or medical technician.

Debit this account for:

- Amounts of total principal and interest cancelled for a borrower's employment as a nurse or medical technician (contra accounts # 2-23, 2-24, 2-25, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 17 Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service: This is a debit balance account to show the total cost of principal and interest cancelled for a borrower's employment in a child/family or early intervention service.

Debit this account for:

- Amounts of total principal and interest cancelled for the child/family or early intervention service (contra account # 2-26, 2-27, 2-28, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 18 Cost of Defaulted Loan Principal and Interest Assigned to Federal Government: This is a debit balance account maintained to show the total cost of defaulted loans assigned to, and accepted by, the U.S. government.

Debit this account for:

- Amounts of total principal and interest related to defaulted loans assigned to the U.S. government (contra accounts # 2-2, 6-3).

Credit this account with:

- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

7 - 19 Other Costs or Losses: This is a debit balance account maintained to show the total amount of other costs or losses. Any entries to this account, such as accounts written off, should have full documentation of the reasons for the write-offs. In some cases, approval by the U.S. Secretary of Education must be included as part of the documentation.

Debit this account for:

- Amounts of total principal, interest, penalty, and late charges written off because of other costs or losses. The reason for the write-off should be specified for easy identification in the account (contra accounts # 2-29, 6-3, 6-4, 6-5).

Credit this account with:

- Amounts of previous write-offs reversed due to collection (contra accounts # 2-29, 6-3, 6-4, 6-5).
- Closing entry at end of accounting fiscal year (contra accounts # 4-1, 4-2).

5.3.1.8 William D. Ford Federal Direct Loan Account

1 - 1 Cash, Federal Direct Loans: All receipts and disbursements of cash related to the Federal Direct Loan Program are recorded in this account.

Debit this account for:

- Transfers from ED/PMS accounts (contra account # 6-1).
- Recoveries from recipients (contra account # 7-1).

Credit this account for:

- Payments to students (contra account # 7-1).
- Return of excess cash to Direct Loan Servicing Center or to ED via FEDWIRE (contra account # 6-1).

1 - 2 Accounts Receivable, ED/PMS: This debit balance account controls the transfer of cash directly from the ED/PMS account established for Direct Loans.

Debit this account for:

- Amounts due from ED/PMS for disbursement needs for the period (contra account # 6-1).
- Return of excess cash (contra account # 1-1).

Credit this account with:

- Cash transferred directly from the ED/PMS account (contra account # 1-1).

6 - 1 Income from ED/PMS - Federal Direct Loans: This credit balance account reflects the income from the Direct Loan Program. This amount is not a transfer from the ED/PMS account referred to in section 5.3.1.2. These separate accounts allow for reconciliation with the institution's records as part of the Direct Loan reconciliation process. (See Chapter 6, section 6.1.2.1.)

Debit this account for:

- Closing entry at end of accounting fiscal year, the income from ED/PMS to meet disbursement needs for the period (contra accounts # 7-1, 7-2).

Credit this account with:

- Income from ED/PMS recorded to meet current disbursement needs (contra account # 1-2).

6 - 2 Federal Reimbursement of Direct Loan Origination Services Costs: This credit balance account is maintained to record the reimbursements from ED for the origination services costs. Presently, funds come directly to the institution via ACH/EFT and are deposited directly to the bank account of the institution. This amount is set by law.

Debit this account for:

- Closing entry at end of the accounting period (contra account # 7-2).

Credit this account with:

- ACH/EFT payments for ED for origination services costs (contra account # 1-1).

7 - 1 Funds Advanced to Borrowers: This debit balance account is maintained to record payments made to students or parents for loans. This account may be further subdivided to separate disbursements for PLUS, subsidized, and unsubsidized loans.

Debit this account for:

- Loan payments made to students or students' parents (contra account # 1-1).

Credit this account with:

- Recoveries from loan recipients (contra account # 1-1).
- Closing entry at end of accounting fiscal year for the total amount of loan disbursements made to students or students' parents for the accounting period (contra account # 6-1).

*This payment is also called "fees for origination."

7 - 2 Payment for Origination Services (POS)* (Paid to Institution): This debit balance account is maintained to record payments made to the Level 1 or Level 2 institutions for origination services.

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Debit this account for:

- The amount paid to the institution (contra account # 1-1).

Credit this account with:

- Closing entry at the end of the accounting period (contra account # 6-2).

5.3.2 Accounting Practices for EFT: Federal Family Education Loan (FFEL) Program

1 - 1 Cash, FFEL Account: All receipts and disbursements of FFEL funds are recorded in this account. These funds are not part of the ED/PMS system, as the funds come directly from lenders to the institution by lenders' EFT systems.

- Debit - Cash received from lenders (contra account # 3-1).

1 - 2 Cash Returned to Lenders: This account is used to account for funds returned to lenders and is separate from funds disbursed to students.

- Credit - Cash returned to lenders (contra account # 3-1).

1 - 3 Cash Disbursed to Borrowers: This account shows funds actually disbursed to students or parents for loans.

- Credit - Cash disbursed to borrowers (contra account # 3-1).

1 - 4 Cash - Interest Earnings: This account may be used to record interest earnings from investing the float on FFEL funds. Institutions may decide to deposit the interest earnings directly into an operating account.

- Debit - For interest earned (contra account # 6-1).
- Credit - Interest earnings from investment of FFEL funds transferred to the institution (contra account # 6-1).

3 - 1 FFEL Trust Account: This account is used to record funds that the institution holds for borrowers.

- Debit - Funds disbursed to borrowers or returned to lenders (contra accounts # 1-2 or 1-3).
- Credit - Funds received from lenders (contra account # 1-1).

6 - 1 Interest Earnings from Investment of FFEL Funds: The institution must closely adhere to required time frames for disbursing funds and returning undisbursed funds.

- Debit - Cash, interest earnings transferred to the institution (contra account # 1-4).
- Credit - Interest earnings from investment of FFEL funds (contra account # 1-4).

5.4 Internal Control: Checks and Balances

Minimum requirements

To participate in federally funded student financial aid programs, an institution must be able to demonstrate that adequate checks and balances are in place in its system of internal control. A system of internal control should, at a minimum, include:

- separating the functions of authorizing and disbursing Title IV program funds;
- taking a trial balance (to determine whether accounts are in balance);
- reconciling cash (a reconciliation between book and bank balances for cash); and
- reconciling federal funds (a reconciliation between bank accounts and federally reported balances for cash).

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According to regulations, institutions must separate the functions of authorizing payment of and disbursing Title IV funds. Separation of functions is a fundamental control concept in financial aid administration. The financial aid administrator (or office) is charged with the responsibility for authorizing disbursement by awarding aid through the need analysis and packaging processes. The awarded-aid information is then turned over to a business officer (or office) who, in turn, is responsible for disbursing the aid by applying it to institutional charges and/or delivering it to students.

Separation of functions

A further control in the system is the requirement that the institution maintain documentation to show that aid was appropriately applied to institutional charges and that remaining aid was delivered to the student.

To be effective, taking a trial balance and reconciling cash should be performed at least monthly. Reconciling federal funds should be performed no less frequently than quarterly in conjunction with preparing the Federal Cash Transaction Report—Status of Federal Cash (ED/PMS 272 Report). All Federal Work-Study, Federal Perkins Loan, and Federal Direct Loan accounts are required to be reconciled monthly.

Regular reconciling activities

There should be a segregation of functions that provides that the person within the institution who reconciles cash and reconciles federal funds does not also receive cash or perform disbursement functions. The person performing reconciliations should receive bank statements, Direct Loan reconciliation reports, and ED/PMS 272 Reports directly from the respective sources. Supervisory approval of the completed reconciliations should be obtained and evidenced on the forms.

The institution should use its internal or external auditors to periodically verify that the systems of checks and balances have been properly designed and are being followed routinely.

5.4.1 Trial Balance

A trial balance is the confirmation of the equality of debit and credit balances. A trial balance for federal student financial aid programs is a confirmation that accounts receivable, program expenditures, and the cash balance equal the amount authorized.

A trial balance worksheet for federal student financial aid programs appears on pages 198-9.

5.4.2 Reconciliation of Cash

Because cash is more susceptible to manipulation than other assets, multiple checks and balances are necessary for effective internal control of cash.

Bank statements

Reconciliation of cash is a confirmation that the cash amount shown in accounting records is in agreement with the amount reflected in the bank statement. Differences between accounting records and the bank statement balance can be caused by timing variances, errors, or unrecorded entries. The results of the reconciliation process can lead to adjusting entries for:

- bank service charges;
- non-sufficient funds (NSF) checks;
- debit and/or credit memoranda; and
- error corrections.

Reconciliation also provides a means for identifying and correcting bank errors. The person performing the reconciliation should be trained to recognize and report:

Possible sources of errors

- delays in deposit;
- checks outstanding for long periods of time;
- irregularities in transfers and adjustments; and
- deviations with cancelled checks (payee, signature, or endorsement).

The prompt and thorough performance of cash reconciliation duties enhances the system of internal control.

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On page 200, there is a worksheet that can be used to reconcile cash for federal student financial aid programs. If an institution maintains separate bank accounts for each program, this process should be performed for each program.

5.4.3 Reconciliation of Federal Funds

Reconciliation of federal funds is a balancing of funds received from the beginning of a school's participation in a program to the totals currently recorded in the institution's accounts. In addition, the reconciliation process should include a year's determination to check agreement of reported expenditures among the trial balance report, ED/PMS 272 Report, Institutional Payment Summary, FISAP, Federal Direct Loan reconciliation report, and the audit report. Differences among these records should be resolved.

One of the purposes of an audit is to check that all reconciliations have been performed. Institutions should not view the audit as a time to perform reconciliations.

The form on page 201 can be used for reconciliation of federal funds.

5.4.3.1 Monthly Direct Loan Reconciliation

Reconcili-ation period

When an institution initially signs up to participate in the William D. Ford Federal Direct Loan Program (Direct Loan Program), a decision must be made as to the "as-of-date" each month that the institution will use to reconcile loan records with the Direct Loan Servicing Center (Servicing Center). Reconciliation must be performed each month using the same "as-of-date." In the Direct Loan Program, there are two types of transactions to be reconciled:

- cash transactions and
- loan transactions that affect cash.

Cash reconciliation

The first is the cash transaction. The institution must reconcile cash drawdowns and returns of excess cash with the Servicing Center. The reconciliation requires that the institution's financial accounting system and other systems, such as the student account receivable system, financial aid system, and the Direct Loan system, all be reconciled.

Loan record reconciliation

The second is loan transactions that have affected cash disbursements, cancellations, and adjustments that are matched with the Servicing Center. The loan transaction process is actually a data-verifying and editing process, primarily between the school's Direct Loan system and Servicing Center records. This process matches disbursements, adjustments, and cancellations to Servicing Center files.

Unreconciled records

The institution receives a monthly report from the Servicing Center indicating which loans are reconciled and which loans are not reconciled. The report provides error messages indicating the reason the loan records are not reconciled. A loan must be "booked" (the Servicing Center must have received an origination record, promissory note, and a first disbursement record) to be reconciled. If a loan is not "booked," it will not reconcile. Normally, unreconciled items result from timing errors, such as a batch of loan data that was not included in a month-end close or a batch of loan data that was shipped to the Servicing Center at the end of the month and rejected. The institution's reports from the Direct Loan software and Servicing Center reports are used to compare the data in the two systems.

Refer to the April 1995 *Direct Loan Reconciliation Guide* for further details on monthly Direct Loan reconciliation.

5.4.4 Other Checks and Balances

There are a number of other types of checks and balances that can be built into a system for administering student financial aid. Some important types are:

- input controls,
- subsidiary records reconciliation, and
- a clear audit trail.

Input controls

Input Controls: As input transactions are being entered into a school's financial aid system, a record of the number of entries and the dollar amount of entries should be recorded. This type of batch control is necessary whether manual or automated systems are involved. After all updates for a processing cycle have been completed, the updated totals should be checked to ensure that all batches (entries) have been entered. This type of control serves two purposes: It ensures that batches are not lost, and it provides control against unauthorized transactions being entered into the system.

Subsidiary records reconciliation

Subsidiary Records Reconciliation: All accounts should be backed up by subsidiary ledger detail. Although taking a trial balance can be used to ensure that all accounts balance in the aggregate, it does not guarantee that there is sufficient evidence that subsidiary records exist to support the totals in each account. Errors can exist when changes or corrections are made to control accounts without corresponding adjustments being made to subsidiary records. Reconciliations between accounts and subsidiary records detail should be performed at least monthly and should be conducted on a more frequent basis during periods of high transaction volume. As mentioned earlier, most Title IV programs require monthly reconciliations.

Clear audit trail

Clear Audit Trail: A key element in any system of checks and balances is maintaining a clear (easily followed) audit trail. Records of all transactions entered into the system must be maintained. Adequate documentation requires proper approval of all transactions, a record of who was responsible for entering the transaction, when the transaction was prepared and posted, and a complete record of the transaction itself.

Trial Balance Worksheet for Title IV Programs

Balance as of ______________

Account Names	*Debit*	*Credit*
ED/PMS		
Cash Control, ED/PMS*		xxxxx
Accounts Receivable, ED/PMS	xxxxx	
Total, ED/PMS	xxxxx	xxxxx
	=====	=====
NFC Accounts		
Cash Unremitted to NFC	xxxxx	
Due from School	xxxxx	
Accounts Payable, NFC		xxxxx
Total, NFC	xxxxx	xxxxx
	=====	=====
Federal Pell Grant Program		
Cash, Federal Pell Grants	xxxxx	
Transfer from ED/PMS		xxxxx
Federal Reimbursement of Pell Administrative Cost Allowance		xxxxx
Student Grants Paid	xxxxx	
Pell Administrative Cost Allowance Paid to Institution	xxxxx	
Total, Federal Pell Grant Program	xxxxx	xxxxx
	=====	=====
Federal Supplemental Educational Opportunity Grant (FSEOG) Program		
Cash, FSEOG	xxxxx	
Transfer from ED/PMS		xxxxx
Institution's Cash Contribution		xxxxx
Institution's Non-cash Contribution (Memo Account)		xxxxx
FSEOG Grants Paid	xxxxx	
FSEOG from Non-cash Contribution (Memo Account)	xxxxx	
FSEOG Administrative Cost Allowance Paid to Institution	xxxxx	
Total, FSEOG Program	xxxxx	xxxxx
	=====	=====

(continued next page)

*The cash control account will have a credit balance if the drawdown amount is less than the disbursed amount. The cash control account may have a debit balance if the drawdown amount exceeds the disbursed amount. Both of these are timing differentials.

Trial Balance Worksheet (continued)

Account Names	*Debit*	*Credit*
Federal Work-Study (FWS) Program		
Asset Accounts, FWS	xxxxx	
Liability Accounts, FWS		xxxxx
Income Accounts, FWS		xxxxx
Expense Accounts, FWS	xxxxx	
Total, FWS Program	xxxxx	xxxxx
	=====	=====
Federal Perkins Loan Program		
Asset Accounts, Perkins	xxxxx	
Asset Reduction Accounts, Perkins		xxxxx
Federal Fund Balance		xxxxx
Institutional Fund Balance		xxxxx
Income Accounts, Perkins		xxxxx
Expense Accounts, Perkins	xxxxx	
Total, Federal Perkins Loan Program	xxxxx	xxxxx
	=====	=====
William D. Ford Federal Direct Loan Program		
Cash, Federal Direct Loans	xxxxx	
Accounts Receivable, ED/PMS	xxxxx	
Income from ED/PMS		xxxxx
Federal Reimbursement of Direct Loan Origination Services Costs		xxxxx
Direct Loan Funds Advanced to Borrowers	xxxxx	
Payment for Origination Services (POS) Paid to Institution	xxxxx	
Total, Federal Direct Loan Program	xxxxx	xxxxx
	=====	=====
Federal Family Education Loan (FFEL) Program		
Cash, FFEL Account	xxxxx	
Cash Returned to Lenders		xxxxx
Cash Disbursed to Borrowers		xxxxx
Cash, Interest Earnings	xxxxx	
FFEL Trust Account		xxxxx
Interest Earnings from Investment of FFEL Funds		xxxxx
Total, Federal Family Education Loan (FFEL) Program	xxxxx	xxxxx
	=====	=====

Prepared by____________________ Date__________

Approved by____________________ Date__________

Reconciliation of Cash for the Month of ____ Year ____

	Beginning Balance	*Deposits*	*Disburse-ments*	*Ending Balance*
Balance Per Bank Stmt	xxxxx	xxxxx	xxxxx	xxxxx
Deposits in Transit:				
Last Month	xxxxx	(xxxxx)		xxxxx
This Month		xxxxx		xxxxx
Outstanding Checks:				
Last Month	xxxxx		(xxxxx)	xxxxx
This Month			xxxxx	xxxxx
Unrecorded Charges			xxxxx	xxxxx
(Unrecorded Credits)			(xxxxx)	(xxxxx)
(explain below)				
	_____	_____	_____	_____
Balance Per Books	xxxxx	xxxxx	xxxxx	xxxxx
	=====	=====	=====	=====

Prepared by ______________________ Date ____________

Approved by ______________________ Date ____________

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Reconciliation of Federal Funds for the Quarter/Month Ended ________

Cumulative Cash as of Last Quarter		xxxxx
Cash Received This Quarter		xxxxx
		_____
Cumulative Cash Received		xxxxx
Net Disbursements for Prior Years	xxxxx	
Changes to Prior Year Disbursements	xxxxx	
	_____	
Total Adjusted Prior Year Disbursements	xxxxx	
Net Disbursements This Year	xxxxx	
	_____	
Cumulative Cash Disbursements	xxxxx	(xxxxx)
	=====	_____
Calculated Cash on Hand		xxxxx
Balance Per Bank Statement	xxxxx	
Adjustments:		
Outstanding Checks	(xxxxx)	
Deposits in Transit	xxxxx	
Other Adjustments	xxxxx	
	_____	
Total Adjusted Balance Per Bank	xxxxx	(xxxxx)
	=====	_____
Difference (should be zero)		-0-
		=====

Prepared by ______________________ Date ____________

Approved by ______________________ Date ____________

Chapter 6: Title IV Reporting Requirements

Executive Summary

All institutions are responsible for submitting required reports in an accurate and timely manner. There are major reporting requirements for the Federal Pell Grant Program, the campus-based programs, the Federal Direct Loan Program, and the Federal Family Education Loan (FFEL) Program. While some of these required reports are specific to certain Title IV programs, others are more general and include more than one program under a single reporting umbrella.

This chapter begins with a discussion of reports that are unique to non-campus-based Title IV programs, then addresses campus-based programs in an overview of the Fiscal Operations Report and Application to Participate (FISAP). The Department of Education Payment Management System (ED/PMS) reports, audits, and program reviews are covered later in this chapter.

Key Terms

A-128 audit
A-133 audit
Accounts Receivable Management Group (ARMG)
ACH/EFT
Audit Guide
batch
closed award
compliance audit
Corrective Action Plan (CAP)
EDExpress
ED/PMS
ED/PMS 272 Report
Electronic Data Exchange (EDE)
Electronic Payment Voucher (EPV)
Electronic Processed Payment Voucher (EPPV)
Electronic Statement of Account (ESOA)
federal audit
FEDWIRE
Financial Services (FS)
Fiscal Operations Report and Application to Participate (FISAP)
Floppy Disk Data Exchange (FDDE)
General Electronic Support (GES)
Institutional Payment Summary (IPS)
Institutional Student Information Record (ISIR)
IPS Batch Report
Level of Expenditure (LOE)
Monthly Electronic Reporting System (MEERS)
National Student Loan Data System (NSLDS)
Office of Management and Budget (OMB)
open award

Key Terms (continued)

Pell Grant Recipient and Financial Management System (PGRFMS)
Program Determination Letter (PDL)
program review
Recipient Data Exchange (RDE)
reconciliation
Regional Inspector General for Audit (RIGA)
Single Audit Act
State Postsecondary Review Entity (SPRE)
Statement of Account (SOA)
Student Aid Report (SAR)
Student Payment Summary (SPS)
Student Status Confirmation Report (SSCR)

6.1 Non-Campus-Based Program Reporting

The U. S. Department of Education (ED) requires schools to submit program-specific data for the Federal Pell Grant, Federal Direct Loan, and Federal Family Education Loan (FFEL) Programs. In addition, schools must report on these programs as part of their annual compliance-audit reports. (See section 6.6.2.)

6.1.1 Federal Pell Grant Program Reporting

In accordance with Section 690.83 of the Federal Pell Grant regulations, a school's financial aid office is responsible for determining student eligibility for Federal Pell Grants, awarding Federal Pell Grant funds, and authorizing the school's business office to disburse (pay) the funds to students or credit students' accounts. Once Federal Pell Grant funds have been disbursed or credited to a student's account, a school is responsible for reporting the student payment information to ED. This may be a function of a school's financial aid office *or* business office *or* of both offices. The Federal Pell Grant payment reporting process is illustrated in the flowchart on page 267.

PGRFMS

Student payment information is reported to ED through the Pell Grant Recipient and Financial Management System (PGRFMS). PGRFMS enables ED to track a school's need for Federal Pell Grant funds and adjust the school's funding authorization. The system also provides documentation that allows the school to reconcile records of expenditures reported to ED with the school's records of payments made to students. (See section 6.1.1.4.)

Statement of Account

A school's authorization is the maximum amount of Federal Pell Grant funds it may draw down from the ED Payment Management System (ED/PMS) to cover payments to students. ED reports authorizations to schools on a paper document called the Statement of Account (SOA) or in an electronic format called the Electronic Statement of Account (ESOA).*

*Please note that now business officers periodically will receive an SOA.

Pell Grant authorization

At the beginning of each award year, schools receive an initial authorization for the Federal Pell Grant Program. The initial authorization is an estimate of the amount of Federal Pell Grant funds a school will need to make first disbursements to students. As the award year progresses, ED adjusts the school's authorization on the basis of the actual number and amounts of Federal Pell Grant awards reported to ED. To receive an adjusted authorization, a school must regularly report student payment information to ED through PGRFMS.

Automated reporting

Effective July 1, 1996, all institutions are required to submit Federal Pell Grant payment information to ED in an automated format. (See section 6.1.1.1.)

Institutional Student Information Record (ISIR)

Paper rosters end as of 1996-97

Schools pay Federal Pell Grants to eligible students on the basis of a valid Institutional Student Information Record (ISIR) or Student Aid Report (SAR). An ISIR is a paper or computer-generated record containing the results of data a student submits each year on the Free Application for Federal Student Aid (FAFSA). (See section 1.2.) ISIRs include the electronic ISIR and the full-data student rosters on paper, magnetic tape, or cartridge. Schools receive paper, magnetic tape, or cartridge if they participate in ED's Institution Applicant Data Service. The paper ISIR will no longer be offered in 1996-97. A school obtains the ISIR directly from ED's Central Processing System (CPS). The electronic ISIR was formerly called the Electronic Student Aid Report (ESAR). Effective July 1, 1995, the term "ISIR" replaced "ESAR."

Student Aid Report (SAR)

A Student Aid Report (SAR) is a paper report containing the results of data a student submits each year on the FAFSA. The SAR is sent directly to the student from the CPS; the student may submit the SAR to the school.

Payment Voucher

Through the 1995-96 award year, the SAR includes a Payment Voucher, a separate piece of paper the school uses to manually report Pell Grant payment information to ED. Beginning with the 1996-97 award year, the paper Payment Voucher will no longer be produced as part of a SAR; the reporting must be done electronically.

Transition to electronic payment process

As of the date of publication of this book, the transition from paper to electronic payment processing is nearly complete. Therefore, this discussion of Federal Pell Grant Program reporting addresses primarily automated systems. (Schools using paper Payment Vouchers in the 1995-96 award year should refer to Chapter 4 of *The 1995-96 Federal Student Financial Aid Handbook*.)

6.1.1.1 Reporting Methods

Automated methods

A school may use one of three automated methods to report Federal Pell Grant payment information: Electronic Data Exchange, Recipient Data Exchange, or Floppy Disk Data Exchange. ED provides each school with a detailed *User's Guide* for the automated system it chooses to use. What follows are brief summaries of the three systems. Although the method of automation may differ for each system, all transmit the same required information.

6.1.1.1.1 Electronic Data Exchange (EDE)

Electronic Data Exchange (EDE), the most widely used automated reporting method, greatly reduces the time involved in submitting reports and receiving responses.

Transmitting data

EDE schools use a personal computer (PC) to enter and transmit initial and revised payment data to ED. Information is transmitted electronically by telephone line (modem) to ED's General Electronic Support (GES) Network. GES carries the school's electronic information to PGRFMS, where it is received and processed. PGRFMS in turn transmits the processed data back to the school via GES. As of the date of the publication of this edition of *The Blue Book*, ED is negotiating the GES contract. The Title IV Wide Area Network (Title IV WAN) will replace the GES Network.

EDExpress

EDE runs on a DOS-based PC software package called "EDExpress," which ED provides to schools without charge. In addition to allowing schools to transmit Federal Pell Grant payment information electronically, EDExpress has broader uses for schools participating in Title IV programs. The software enables schools to transmit and correct FAFSA data, receive electronic ISIRs, and package student awards. Schools participating in the Federal Direct Loan Program may also use EDExpress to manage that program.

6.1.1.1.2 Recipient Data Exchange (RDE)

Transmitting data

Recipient Data Exchange (RDE) enables schools to report Federal Pell Grant payment information on a magnetic tape or cartridge. Schools download payment data from their mainframe computers to a tape or cartridge, then mail the tape or cartridge to PGRFMS. (A signed transmittal form must accompany the tape or cartridge.) PGRFMS processes the information and returns processed data to schools in magnetic form. RDE is commonly used by schools with large numbers of Federal Pell Grant recipients.

6.1.1.1.3 Floppy Disk Data Exchange (FDDE)

Transmitting data

Floppy Disk Data Exchange (FDDE) permits schools to submit payment information to PGRFMS on 3.5-inch or 5.25-inch IBM-compatible diskette. (A signed transmittal form must accompany the diskette.) Processed payment data is returned to schools on diskette. FDDE is recommended for schools that do not have access to the automated data-processing resources required for EDE or RDE.

6.1.1.2 Student Payment Information Records

Under the former paper-based reporting system, schools used a student-specific Payment Voucher (PV) to report payment information for each Federal Pell Grant recipient. Under the automated systems, the transmission mode is electronic rather than manual, but the information reported is the same, and the information flow to and from ED is the same.

Electronic Payment Voucher (EPV)

Information formerly reported on the paper Payment Voucher (PV) and now contained in a student's Electronic Payment Voucher (EPV) consists of:

- information about the school, including Pell institution ID number and academic calendars;
- information about the student, including name, Social Security Number, cost of attendance, Expected Family Contribution (EFC), verification status, enrollment status, and dates of enrollment; and
- information about disbursement of Federal Pell Grant funds to the student, including amount paid to date, remaining amount to be paid,

months in which remaining payment(s) will be made, and which Federal Pell Grant calculation was used.

Pre-coded EPV information

Not all the information in a student's PV or EPV will be student specific. One of the advantages of automated processing is that information that applies to all students may be pre-coded in the vouchers. For example, if the Pell institution ID number and academic calendar are data elements that are the same for all of a school's Federal Pell Grant recipients, they would be pre-coded.

Transmitting payment information

Once a school has collected required student payment information and formatted the EPVs electronically, the EPVs are transmitted to PGRFMS in a batch. The mode of transmission is EDE, RDE, or FDDE.

Receiving processed data

PGRFMS returns processed payment data to schools in the same electronic format in which they were transmitted. Processed payment data include the original information contained in EPVs submitted by the school and comments from PGRFMS about the data. (See section 6.1.1.4.)

6.1.1.3 Institutional Payment Summary (IPS)

Purposes of IPS

The Institutional Payment Summary (IPS) establishes certain basic demographic information about a school.

The IPS is not required to be submitted when reporting by automated media. Refer to the applicable user's guide for each automated medium for required data information.

A school may submit an IPS alone, without student payment information, if:

- a school needs to meet a reporting requirement and has no new or revised payment information to report *or*
- a school needs to revise demographic information about itself contained in the IPS.

Required reporting periods

Schools must submit at least one batch of student data (paper and/or automated payment vouchers) or only an IPS during each required reporting period. The number of required reporting periods depends on the dollar amount of a school's authorization for the previous award year. Schools with prior-year authorizations of $750,000 or less must report at least three times a year; schools with prior-year authorizations above $750,000 must report at least six times a year. (Date-specific required reporting periods are listed in Chapter 4 of *The 1995-96 Federal Student Financial Aid Handbook.*)

Deadline for reporting payments

Schools may submit more than one batch of student data during each reporting period, as long as there is enough new or revised student payment information to warrant a separate, additional submission. However, no more than 60 batches may be submitted during a given award year. All payment information must be submitted by September 30 following the end of the award year (for example, September 30, 1996 for the 1995-96 award year).

More information about the IPS can be found in Chapter 4 of *The 1995-96 Federal Student Financial Aid Handbook.*

6.1.1.4 Processed Payment Information/IPS Batch Report

Electronic Processed Payment Vouchers (EPPVs)

Once a school has submitted a batch of PVs or EPVs to PGRFMS and the data have been processed, the school will receive a batch of Processed Payment Vouchers (PPVs) or Electronic Processed Payment Vouchers (EPPVs). All schools will also receive paper versions of the IPS and an IPS Batch Report by mail; EDE schools will receive electronic versions of these reports in addition to the paper versions.

PPVs or EPPVs will be placed in the following categories and coded appropriately:

Categories of PPVs or EPPVs

- Accepted—The data were accepted as accurate. These processed vouchers do not need to be resubmitted unless the award year data change.

- Accepted with Assumptions—These processed vouchers are incomplete. PGRFMS made certain assumptions to accept the data. These processed vouchers must be reviewed and resubmitted if corrections are needed.

- Duplicates—These records are duplicates of PVs or EPVs previously accepted by ED. These processed vouchers do not need to be resubmitted unless the award year data change.

- Rejected—The data are inconsistent or inaccurate and could not be accepted for payment. Rejected vouchers may be retained in PGRFMS files or returned to the school; they will be coded accordingly. These vouchers must be corrected and resubmitted.

Correcting PPVs or EPPVs

Processed payment data must be reviewed carefully. If the information for any student is wrong or if the information changes during the award year, the school may need to correct the information and resubmit the student's payment voucher; this should be done *with the next batch of submitted Payment Vouchers or EPVs.* Corrected PPVs or EPPVs must be submitted no later than the end of the reporting period following the period in which the change occurred. Failure to submit reports on time may result in fines and reduced Federal Pell Grant authorizations.

IPS Batch Report

The IPS Batch Report from ED summarizes information about a batch of Payment Vouchers or EPVs submitted to and processed by PGRFMS. It tells a school:

- the number of Payment Vouchers or EPVs received in the batch,

- the status of PVs or EPVs processed by PGRFMS (accepted, rejected, and so on),

- the total amount of Federal Pell Grant funds paid to date for students in the batch,

- the dollar figure adjustments made to the school's payment data on the basis of Payment Vouchers or EPVs that were accepted with assumptions or rejected, and

- the net dollar figure change in the school's accepted student payment data as a result of the particular batch.

Reconciling IPS Batch Reports

Each time a batch of processed information is received, schools should use their processed payment data and IPS Batch Reports to reconcile their institutional records. This practice allows schools to detect any errors or omissions as they occur and to take action on them in a timely manner.

6.1.1.5 Student Payment Summary (SPS)

The Student Payment Summary (SPS) is a paper report that lists the data in ED's records for each Federal Pell Grant recipient for whom a school submitted a Payment Voucher or EPV during the award year, *excluding* duplicate vouchers and vouchers that were rejected and, therefore, not retained by ED. An SPS is sent to schools at least three times during the award year, as well as at the end of the award year. The SPS enables schools to check their records and determine if any changes or additions to student Payment Vouchers or EPVs need to be reported to ED or if any corrections need to be made to institutional records.

Reconciling SPS with school records

Schools should use the SPS to confirm that ED has received and accepted student Payment Vouchers or EPVs for all Federal Pell Grant recipients the school has paid through the date of the SPS. Schools should also review their institutional student records to verify that the Federal Pell Grant award amount authorized in the student's financial aid file agrees with the payment amount made to the student *and* that these amounts agree with the payment amount accepted by ED as shown on the SPS.

Reporting adjustments

Should any changes or additions be necessary, schools should submit affected Processed Payment Vouchers or EPPVs to PGRFMS by the usual transmission mode (EDE, RDE, or FDDE). Adjustments must be reported no later than the end of the reporting period that immediately follows the reporting period in which the change occurred.

Overaward Report

If appropriate, ED will send schools a Pell Grant "Overaward Report." This report lists any students who have received a Federal Pell Grant for more than their scheduled awards by receiving disbursements at two or more schools for the same academic year. Each student overaward must be resolved between or among the schools listed on the report. Please note that the first school to send in payment information will receive credit for payment. The second school's payment information will be rejected. Further problems can ensue if the first school closes.

6.1.2 William D. Ford Federal Direct Loan Program Reporting

Schools participating in the William D. Ford Federal Direct Loan Program (Direct Loan Program) perform a number of reporting functions for the program. Because Direct Loans are disbursed directly to students through their schools, schools must report disbursements and other information on a regular basis. In this respect, the Direct Loan Program is similar to the Federal Pell Grant Program.

Direct Loan Servicing Center

Direct Loan schools send electronic reports and other communications directly to the Direct Loan Servicing Center (Servicing Center).

Automated reporting

With the exception of promissory notes and Direct PLUS Loan combined applications/promissory notes (both of which are paper documents), all reports transmitted by schools are electronically formatted records. Many schools participating in the Direct Loan Program use PC-based EDExpress software to administer the program; others operate on a "mainframe-to-mainframe" basis with the Servicing Center. Whatever a school's mode of operation, its Direct Loan processing is accomplished via some type of automated system.

Up to the point that Direct Loans are disbursed, most of a school's communication with the Servicing Center may be handled by the school's financial aid office. The following sections discuss reporting functions that occur after loan disbursement and that may be handled by a school office other than the financial aid office.

6.1.2.1 Monthly Reconciliation

Schools participating in the Direct Loan Program must reconcile funds with the Servicing Center on a monthly basis. The reconciliation process involves matching data maintained by the school with data received by the Servicing Center. The matched data are records that affect a school's Direct Loan cash balance. These are:

Records matched in reconciliation process

- drawdowns (also called cash receipts or advances),
- returns of excess cash,

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- actual disbursements to borrowers,
- actual disbursement cancellations, and
- adjustments to actual disbursements.

Initiating reconciliation process

Schools are responsible for initiating the reconciliation process with the Servicing Center. A school does this by creating a reconciliation file and electronically exporting it to the Servicing Center. A reconciliation file contains all records that have not previously been reconciled and that have a transaction date through the end of the reconciliation period. The school's software reconciliation files should also be reconciled to the school's accounting records.

Reconciliation period

A school designates a reconciliation period by selecting what is called an "as-of-date." This is the ending date of the school's reconciliation period, and it will occur on the same date each month. All activity performed as of that date is subject to reconciliation and should be reconciled by the end of the following reconciliation period. The school can initiate monthly reconciliation any time within 30 days of the end date of the reconciliation period.

For example, if a school's reconciliation period ends on the 15th day of each month, all activity performed from January 16 to February 15 (including activity performed on both of those dates) should be reconciled by March 15. The school could initiate the reconciliation process any time between February 16 and March 15.

There may be items that are not reconciled before the next month's reconciliation must begin. These unreconciled items will be included in the next reconciliation. All of these items should reconcile in the next month's reconciliation. This is similar to a bank statement in that most records will reconcile, but because of timing differences or rejections, not everything is reconciled the first time.

Reconciliation files sent to Servicing Center

The reconciliation file that a school creates and exports to the Servicing Center contains three types of records. They are:

- the cash summary record, containing
  - beginning balance,
  - prior month's unreconciled total,
  - net cash receipts,
  - total actual disbursements,
  - total actual disbursement cancellations,
  - net adjustments to actual disbursements,
  - net return of excess cash, and
  - ending balance;
- the cash detail record, containing detail information for
  - cash receipts and
  - return of excess cash; and
- the loan detail record, containing detail information for
  - actual disbursements,
  - actual disbursement cancellations, and
  - adjustments to actual disbursements.

Servicing Center actions

After receiving a reconciliation file from a school, the Servicing Center compares the cash information (cash summary and cash detail records) and detail loan records submitted by the school with the data in its records. The Servicing Center then transmits to the school a reconciliation acknowledgment file containing all records submitted by the school that indicates whether each record reconciled with (matched) the Servicing Center's data. A reconciliation acknowledgment file is received by a school within 48 hours after the Servicing Center receives the school's reconciliation file.

Unreconciled records

If there are unreconciled records, the school must review each unreconciled record and, with the help of the Servicing Center, determine why it did not reconcile. Some common reasons that records fail to reconcile are:

- for loan detail records,
    - the loan was never "booked," meaning that the Servicing Center did not receive or rejected one or more of the following—the promissory note, the origination record, or the disbursement record, *or*
    - the disbursement, cancellation, or disbursement-adjustment record was never sent to the Servicing Center;
- for cash detail records,
    - the school did not enter a cash receipt transaction,
    - the school did not enter a return of excess cash transaction, *or*
    - the school combined all cash receipts for the month into one cash receipt record.

Correcting unreconciled records

After correcting the errors and sending the corrections to the Servicing Center, the school should transmit another (corrected) reconciliation file for the same reconciliation period to the Servicing Center. The Servicing Center repeats the process of comparing the school's records with its records, then returning the school's records to the school indicating whether they reconciled. If reconciliation is not achieved and, if time does not permit further attempts that period to reconcile, the unreconciled records will be included in the next month's reconciliation. If schools have any questions, they should call Direct Loan School Relations at 1-800-848-0978.

6.1.2.2 Student Status Confirmation Report (SSCR)

Schools are required to report the enrollment status of Direct Loan student borrowers to the Servicing Center on a regular basis.

At least twice each year, schools will receive an electronic Student Status Confirmation Report (SSCR) from the Servicing Center. However, starting in

January 1996, NSLDS will transmit SSCRs to schools. Schools will have the option of receiving SSCRs every 60 days when the NSLDS's SSCR function is operational. For further information on the role of NSLDS as a database on Title IV loan and grant payment, including Direct Loans, see section 6.1.4.

Confirming student enrollment

The SSCR indicates the status of Direct Loan student borrowers attending the school. The school reviews the SSCR, updates it on the basis of its current enrollment records, and must transmit the completed report electronically to the Servicing Center within 30 days of receiving it.

The SSCR is not the only required means of submitting updated enrollment information to the Servicing Center. If a student's enrollment status changes and the school will not be submitting its next SSCR within the next 60 days, the school must notify the Servicing Center of the status change within 30 days.

6.1.2.3 Exit Counseling Reporting

During exit counseling, Direct Loan borrowers who withdraw, graduate, or drop below half-time enrollment are required to update information in a school's records concerning:

- name,
- address,
- Social Security Number,
- references,
- driver's license number and state of issuance, and
- name and address of expected employer (if known).

Schools are required to report this updated exit information to the Servicing Center within 60 days of receiving it.

6.1.3 Federal Family Education Loan (FFEL) Program Reporting

Schools are required to report enrollment and other information about Federal Family Education Loan (FFEL) Program student borrowers on a regular basis.

6.1.3.1 Student Status Confirmation Report (SSCR)

The Student Status Confirmation Report (SSCR) reflects a school's FFEL Program student borrower data. It is important that schools complete the SSCR accurately and submit it in a timely manner. Student enrollment information reported on the SSCR is used to determine:

Uses of SSCR

- the beginning date of a borrower's grace period and
- the date that a borrower begins or resumes making scheduled loan payments.

The SSCR contains information about students attending the school who have borrowed under the FFEL Program *and* students whose parents have obtained Federal PLUS Loans on their behalf. It includes borrowers who may have received loans to attend other schools but whose attendance at the current school is the basis to defer loan payments.

Completing an SSCR

Schools receive SSCRs from ED or loan guaranty agencies at least twice a year. A school will receive an SSCR from each agency that has guaranteed loans or deferred loan payments for the school's student and parent borrowers. The school must review each SSCR, update it on the basis of its current enrollment records, and return the completed report within 30 days of receiving it. SSCR reporting may be accomplished by manual or electronic methods, depending on the school's electronic capabilities and methods offered by guaranty agencies.

When the National Student Loan Data System (NSLDS) becomes operational (see section 6.1.4), it will assume the role of sending SSCRs to schools. At the time this book was printed, it was expected that the first reports generated by the NSLDS (instead of by guaranty agencies) would come out in November 1995. Schools are expected to complete the first report received from NSLDS, if possible, but will be allowed until March 1996 to obtain and set up all necessary equipment to complete them. Beginning in March 1996, reports will be returned directly to ED for updating the NSLDS database.

SSCRs will be sent electronically or on tape or diskette when the first reports are generated by the NSLDS. Schools must return the October and February reports; they may choose to receive (but may or may not return as they wish) four additional reports sent in April, June, August, and December.

Reporting enrollment status changes

There is also another requirement for submitting updated enrollment information. If a student's enrollment status changes and the school will not be submitting its next SSCR within the next 60 days, the school must notify the guaranty agency or lender of the status change within 30 days. Status changes must be reported if an FFEL Program student borrower or student on whose behalf a Federal PLUS Loan was made:

- enrolls at the school then subsequently ceases to be enrolled on at least a half-time basis;
- is accepted for enrollment at the school but fails to enroll on at least a half-time basis; *or*
- enrolls at the school on a full-time basis then subsequently ceases to be enrolled on a full-time basis.

6.1.3.2 Exit Counseling Reporting

Shortly before FFEL Program student borrowers withdraw, graduate, or drop below half-time enrollment, they are required to update information in a school's records concerning:

- name,
- address,
- Social Security Number,
- references,

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- driver's license number and state of issuance, and

- name and address of expected employer.

Schools are required to report this updated exit information to the student's guaranty agency within 60 days of receiving it.

6.1.4 National Student Loan Data System (NSLDS)

In 1994, ED began implementing the National Student Loan Data System (NSLDS), the first national database for Title IV loan and grant programs. NSLDS contains data on recipients from:

Programs included in NSLDS

- the Federal Family Education Loan (FFEL) Program,

- the William D. Ford Federal Direct Loan Program,

- the Federal Perkins Loan Program (including National Direct, National Defense, and Income Contingent Loans),

- the Federal Pell Grant Program, and

- the Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

Submitting data to NSLDS

Information is submitted to NSLDS by guaranty agencies (FFEL Program), schools (FFEL, Federal Direct Loan, Federal Perkins Loan, and FSEOG Programs), the Direct Loan Servicing Center, and ED. A Dear Colleague Letter (CB-94-20, August 1994) giving detailed specifications on submitting data to NSLDS was sent to all schools that have active Federal Perkins Loans and/or that participate in the FSEOG Program. These schools were required to begin submitting data on these programs to NSLDS no later than August 31, 1995. Schools are not currently required to submit data to NSLDS for FFEL Program loans, Direct Loans, or Federal Pell Grants. Schools will have NSLDS reporting requirements for Direct Loans and FFEL once Phase III of NSLDS is implemented. (See Dear Colleague Letter CB-94-20.)

Uses for NSLDS data

NSLDS provides a flexible, accessible, and comprehensive database of Title IV information that can be used for a wide range of research and reporting purposes. Once the system is fully operational, NSLDS will replace procedures such as the Student Status Confirmation Report (SSCR) and financial aid transcript (FAT). NSLDS will be available to schools through ED's General Electronic Support (GES) Network. Later it will operate through the Title IV Wide Area Network (Title IV WAN), which is currently in negotiations.

NSLDS telephone number

Questions about NSLDS may be directed to the NSLDS Customer Service Center between 7 a.m. and 7 p.m. (ET) except federal holidays. The telephone number is 1-800-999-8219.

6.2 The Fiscal Operations Report and Application to Participate (FISAP)

Purposes of FISAP

The Fiscal Operations Report and Application to Participate (FISAP) serves two purposes for schools. The FISAP is:

- an application to receive funds from one or more Title IV campus-based programs for the upcoming award year and
- an annual report of financial and enrollment activity for the previous award year.

Schools applying for campus-based funds for the first time will not, of course, have Title IV program expenditures to report for the previous award year. However, these schools must still complete and file Part I, including the certifications, and Part II of the FISAP to request funds for the upcoming award year.

Filing deadline

Schools must file a FISAP no later than October 1 of each calendar year. Each annual FISAP reports information for the award year that ended on June 30 of the current calendar year and requests funds for the award year that begins on July 1 of the following calendar year. For example, when a school filed a FISAP on October 1, 1995, it reported for the period July 1, 1994 through June 30, 1995 (the previous award year) and applied for the period July 1, 1996 through June 30, 1997 (the upcoming award year).

All schools are required to file the FISAP electronically—by mailing diskettes, transmitting data by modem, or mailing magnetic tapes. Electronic FISAP packages and instruction booklets are distributed to schools no later than August 1 each year by Dear Colleague Letter.

Required certifications

In addition to data submitted electronically, schools must mail signed, original copies of the FISAP signature page and certification forms to ED. The certification forms, which are included in the FISAP package, cover debarment and drug-free workplace requirements, as well as disclosure of lobbying activities. (More detailed information about these certifications can be found in Chapter 3 of *The 1995-96 Federal Student Financial Aid Handbook*).

Completing the FISAP requires accurate, detailed accounting information. The process can be greatly simplified if a school designs its chart of accounts with the FISAP in mind. (See Chapter 5 of this book.) In addition, accurate, well-maintained student records are necessary to complete the FISAP properly. (See Chapter 2 of this book.)

The FISAP instruction booklet and *Electronic FISAP User Guide* give detailed information on how to complete each line of the FISAP. The following discussion provides an overview of each section of the FISAP, focusing on issues of particular interest to school fiscal officers. A copy of a computer-generated FISAP form can be found on pages 269-280. This is a sample; it is for reference *only* and may not be used to submit FISAP data.

6.2.1 Part I: Identifying Information, Certifications, and Warning

All institutions must complete Part I.

Section A

School information

Section A of Part I gathers information about a school that ED uses to update its records. Section A includes the following information about the school:

- name,
- official address,
- mailing address (if different from official address),
- serial number,

- OPEID number,
- entity number,
- type of institution, and
- length and type of program.

Section B

Certification

Section B of Part I certifies that the information submitted on the FISAP is true and accurate to the best knowledge of school officials signing the certification. It also warns certifying officials that the institution's FISAP is subject to audit and program review by ED and that providing false or misleading information on the FISAP may result in criminal penalties.

Signature requirements

Section B of Part I also collects signatures, addresses, telephone numbers, and fax numbers of a school's chief executive officer (CEO), financial aid administrator (FAA), and chief fiscal officer (CFO). If a school uses a private financial aid consulting firm, and if individuals from that firm have signed the FISAP as the school's FAA or CFO, the firm's name and address must also be provided.

Because Part I must contain original signatures, it must be returned to ED in paper form. Schools that mail FISAP da'ˀ on diskettes or magnetic tapes may enclose the paper signature page with the diskette or tape. Schools that transmit FISAP data by modem must mail the paper signature page separately. Specific instructions for returning the signature page are given in the *Electronic FISAP User Guide.*

6.2.2 Part II: Application to Participate

Schools that want to request Title IV campus-based funds for an upcoming award year must complete Part II. In addition to requesting funds for one or more campus-based program, schools use this part to report institutional information on enrollment, assessments and expenditures, and eligible aid applicants. The amount of funds an institution receives is determined by formulas contained in federal law and regulations. (See section 3.1.2.)

6.2.2.1 Section A: Request for Funds

In Section A, a school lists the amount of funds it wants to receive for each campus-based program in which it participates. If the school enters "0" for a program, it will not receive an allocation for that program, even if it is eligible to do so. Actual allocations are computed by ED and may differ from the amounts the school requests.

A school should not request more federal funds for a program than it expects to use. Unexpended funds from a previous award year indicate that a school overestimated its needs and may result in a reduced program allocation for the upcoming award year. (See section 3.1.2.)

Federal Perkins Loan request

Section A requires schools to enter two types of funding requests for the Federal Perkins Loan Program. Level of Expenditure (LOE) is the total amount a school expects to use to make loans to students and to pay administrative and collection costs in the upcoming award year. Federal capital contribution (FCC) is the amount of new federal funds requested to be contributed to a school's existing Federal Perkins Loan fund. (See section 3.2.3.)

FSEOG request

A school's Federal Supplemental Educational Opportunity Grant (FSEOG) request is the amount of federal funds it needs to make awards to students and to pay administrative costs in the upcoming award year.

FWS request

A school's Federal Work-Study (FWS) request is the amount of federal funds it needs to make awards to students to pay their earned compensation, cover allowable Job Location and Development Program expenditures, and pay administrative costs. At least 5 percent of the institution's federal funds must be spent in community-service activities.

Total funds expended from each campus-based program must contain both a federal and nonfederal share. Part II, Section A, of the FISAP concerns the federal share only. However, schools must consider their nonfederal shares when determining expected campus-based expenditures and their need for federal funds. (Federal and nonfederal shares of funding are discussed in detail in section 3.2 of this book.)

6.2.2.2 Section B: Institutional Share Waiver Request

Section B of Part II should be completed only by institutions that desire and qualify for a waiver of the institutional (nonfederal) share requirement for the FWS and FSEOG Programs.

An institutional share waiver allows a school to use 100 percent federal funds to pay earned compensation to FWS recipients and to make FSEOG awards to students. Section 675.26(d) of the FWS regulations and Section 676.21(b) of the FSEOG regulations specify the circumstances under which a waiver may be granted.

6.2.2.3 Section C: Information on Enrollment

Section C collects enrollment information that ED uses to compute a school's campus-based program allocations. A school reports its enrollment information on the basis of whether it uses a traditional or non-traditional calendar.

Traditional calendar

A school that uses a traditional calendar:

- has an academic year that is composed of terms (semesters, trimesters, or quarters) *and*
- admits students only once each term.

It includes any student enrolled in one or more undergraduate or graduate/professional classes, except students who were exclusively auditing classes.

Non-traditional calendar

A school that uses a non-traditional calendar:

- has an academic year that is not term-based and admits students monthly or more frequently *or*
- has an academic year that is term-based and admits students monthly or more frequently.

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6.2.2.4 Section D: Assessments and Expenditures

The information reported in Section D is also used to compute a school's need for campus-based program funds.

Assessments

Schools must disclose tuition and fee revenues assessed for all students reported as enrolled in Section C of Part II. Assessed tuition and fee revenues include:

- amounts charged and collected,
- amounts charged but not collected, and
- remissions or waivers of costs.

If a school charges a total, inclusive fee for tuition, room, and board, it may not count the room and board portion of the fee in assessed revenues. It must allot a reasonable amount of the total fee to tuition only.

If a school assesses and collects fees on behalf of a non-institutional agency, it may not count these fees in assessed revenues. (For example, student medical-insurance premiums collected by a school and passed on to an insurance company are not considered school-assessed revenues.)

Pell Grant expenditures

Section D also requires schools to report total Federal Pell Grant expenditures for the previous award year. This amount should agree with the final cumulative amount entered on the school's Federal Cash Transaction Report (ED/PMS 272 Report).

State award expenditures

Finally, Section D collects information on state scholarships and grant expenditures for the previous award year. These expenditures include:

- state grants,
- state scholarships,
- tuition equalization awards,
- competitive awards,

- instructional grant awards, and
- State Student Incentive Grant (SSIG) awards.

SSIG award amounts include the total of both federal and nonfederal shares, regardless of the source of the nonfederal share.

State awards include those from the state in which a school is located and those from other states. State awards should not be included if a school makes the final decisions about which students get the funds, unless such funds are used as a source of the nonfederal share for the SSIG Program.

Robert C. Byrd Honors Scholarships and Paul Douglas Teacher Scholarships are excluded from state awards; they must not be reported in Section D.

6.2.2.5 Section E: Information on Eligible Aid Applicants

In Section E, a school reports information for eligible aid applicants that is broken down on the basis of a student's dependency status (dependent or independent), program classification (undergraduate or graduate), and total family income (the total of a student's and parents' or a student's and spouse's taxable and nontaxable income used to calculate the student's Expected Family Contribution [EFC]). Students with an automatic zero EFC are also broken out. Backup documentation for Section E must be maintained at the institution.

Information is reported for students who enrolled at the institution for the previous award year and applied for financial aid for that year. Any student who meets the definition of an "eligible aid applicant"—as described in the FISAP instruction booklet—must be included, even if the student received no financial aid funds.

6.2.3 Part III: Federal Perkins Loan Program

Former program names

Note: The Federal Perkins Loan Program was formerly referred to as the National Direct Student Loan Program and the National Defense Student Loan Program. Some schools report information on the FISAP that concerns borrowers whose loans were received under one of these former program names. For the sake of simplicity, this discussion uses the name Federal

Perkins Loan Program to refer to loans made under any of the three program names.

Schools that must complete Part III

Part III must be completed if:

- a school is a continuing participant in the Federal Perkins Loan Program;
- a school is liquidating its Perkins Loan fund;
- a school did not receive a federal capital contribution (FCC) for the previous award year but did make loans from its Perkins Loan fund; *or*
- a school received Perkins Loan funds for the first time in the previous award year.

A school will need its Federal Perkins Loan Program account ledgers to complete Part III. If the school has set up its Perkins Loan accounts as recommended in Chapter 5 of this book, the information needed to complete this part should be readily available. Although schools may use different account-numbering systems, the Perkins Loan fund account should contain subsidiary accounts that correspond to appropriate line items in Part III.

Third-party servicers

If a school contracts with a third-party servicer to collect and manage Federal Perkins Loan funds, the school is still responsible for the accuracy of the information reported to it by that servicer. Any fiscal reports provided by a servicer should be proved against the school's Perkins Loan fund accounts and student records before being used to complete Part III of the FISAP.

Summary of information reported in Part III sections

Section A of Part III is a cumulative balance sheet for a school's Federal Perkins Loan fund. Schools must report cumulative debit and credit data, such that total debits equal total credits. Schools must also report the cumulative number of borrowers in the categories of funds advanced, loan principal collected, defaulted loans assigned to and accepted by ED, and loan principal cancelled. Section A also includes a new line: cash on hand and in depository as of 10/31/95. This line is to be completed only during the FISAP edit and correction process in November. It will provide ED with more current information on cash on hand for monitoring potential excess cash in an institution's Perkins Loan fund.

Section B is a report of a school's annual Federal Perkins Loan fund activity and summarizes the school's use of funds in the previous award year.

Section C requests cumulative repayment information for a school's Federal Perkins Loan fund, including number of borrowers and dollar amounts for each repayment category.

Section D is used to calculate a school's cohort default rate, which is defined as the percentage of the school's Perkins Loan borrowers who entered repayment in a given award year and who defaulted before the end of the following award year. For any award year in which fewer than 30 borrowers entered repayment, the cohort default rate is calculated on the basis of borrowers who entered repayment in any of the three most recent award years and who defaulted before the end of the award year immediately following the year they entered repayment.

6.2.3.1 Section A: Cumulative Fiscal Report

This section is a historical report of a school's Federal Perkins Loan fund activity from the inception of the program at the school through June 30 of the most recently ended award year. This report is the balance sheet for the school's Perkins Loan fund, and *it must balance.* Institutions that close the amounts in each of the income and expense accounts to the fund balance each fiscal year will need to maintain a separate record of the *cumulative* income and expenses since the inception of the program in order to prepare this section. (For such institutions, the income and expense accounts in Chapter 5 will reflect only the current fiscal year's activity.)

Line numbers

The line numbers in the left margin of Part III, Section A do not correspond to the Federal Perkins Loan ledger account numbers used in Chapter 5 of this book. (Please note that the account numbers used in this edition of *The Blue Book* have been revised from those used in the previous edition.) Because the line numbers in this section of the FISAP often change from one year to the next year, this discussion refers to items on the FISAP balance sheet and the account number and title of the corresponding school ledger account.

Reporting numbers of borrowers

Several line items in this section ask for a number of borrowers. This is an unduplicated, cumulative count of borrowers in the category represented by the line item. For example, under the line item, "Loan Principal Collected,"

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the number of borrowers would be the unduplicated, cumulative count of the number of borrowers who made payments on their loans. In other words, if a borrower is making payments on two loans, that borrower is counted only once.

Line items of balance sheet and corresponding accounts

Additional information about the items in this section can be found in the current version of the FISAP instruction booklet.

Cash on Hand and in Depository: Account # 1-1, Cash, Federal Perkins Loans

Funds Receivable from Federal Government

Funds Receivable from Institution: Account # 6-2, Funds Transferred from Institution - Perkins - ICC

Funds Advanced to Students: Account # 1-2, Funds Advanced to Students

Loan Principal Collected: Account # 2-1, Loan Principal Collected

Defaulted Loan Principal Assigned to and Accepted by the United States: Account # 2-2, Defaulted Loan Principal - Assigned to Federal Government

Total Loan Principal Cancelled on Loans Made Prior to 7/1/72 for Teaching/Military Service: The sum of accounts #

- 2-3 Loan Principal Cancelled - Teaching Service (10% Rate), Loans Made Prior to 7/1/72
- 2-4 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made Prior to 7/1/72
- 2-5 Loan Principal Cancelled - Military Service (12.5% Rate), Loans Made Prior to 7/1/72

Loan Principal Cancelled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education) on Loans Made After 7/23/92: The sum of accounts #

- 2-9 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (15% Rate), Loans Made 7/23/92 and After

- 2-10 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (20% Rate), Loans Made 7/23/92 and After

- 2-11 Loan Principal Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education) (30% Rate), Loans Made 7/23/92 and After

Loan Principal Cancelled for All Other Authorized Teaching Service on Loans Made 7/1/72 and After: The sum of accounts #

- 2-6 Loan Principal Cancelled - Teaching Service (15% Rate), Loans Made 7/1/72 and After

- 2-7 Loan Principal Cancelled - Teaching Service (20% Rate), Loans Made 7/1/72 and After

- 2-8 Loan Principal Cancelled - Teaching Service (30% Rate), Loans Made 7/1/72 and After

- 2-18 Loan Principal Cancelled - Head Start (15% Rate)

Loan Principal Cancelled for Military Service on Loans Made 7/1/72 and After: Account #2-12, Loan Principal Cancelled - Military Service (12.5% rate), Loans Made 7/1/72 and After

Loan Principal Cancelled for Volunteer Service: The sum of accounts #

- 2-16 Loan Principal Cancelled - Peace Corps or VISTA (15% Rate)

- 2-17 Loan Principal Cancelled - Peace Corps or VISTA (20% Rate)

- 2-19 Loan Principal Cancelled - Volunteer Service (15% Rate)

- 2-20 Loan Principal Cancelled - Volunteer Service (20% Rate)

Loan Principal Cancelled for Law Enforcement and Corrections Officer Service: The sum of accounts #

- 2-21 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (15% Rate)
- 2-22 Loan Principal Cancelled - Law Enforcement and Corrections Officer Service (20% Rate)

Loan Principal Cancelled for Child/Family/Early Intervention Service on Loans Made 7/23/92 and After: The sum of accounts #

- 2-26 Loan Principal Cancelled - Child/Family and Early Intervention Service (15% Rate)
- 2-27 Loan Principal Cancelled - Child/Family and Early Intervention Service (20% Rate)
- 2-28 Loan Principal Cancelled - Child/Family and Early Intervention Service (30% Rate)

Loan Principal Cancelled for Nurse/Medical Technician Service on Loans Made 7/23/92 and After: The sum of accounts #

- 2-23 Loan Principal Cancelled - Nurse/Medical Technician (15% Rate)
- 2-24 Loan Principal Cancelled - Nurse/Medical Technician (20% Rate)
- 2-25 Loan Principal Cancelled - Nurse/Medical Technician (30% Rate)

Loan Principal Cancelled, Death/Disability: The sum of accounts #

- 2-13 Loan Principal Cancelled - Death
- 2-14 Loan Principal Cancelled - Disability

Loan Principal Cancelled, Bankruptcy: Account # 2-15, Loan Principal Cancelled - Bankruptcy

Loan Principal Adjustments, Other: Account # 2-29, Loan Principal Adjustments - Other

Federal Capital Contributions: Account # 4-1, Federal Fund Balance

Repayments of Fund Capital to Federal Government: Account # 6-7, Repayments to Federal Government

Institutional Capital Contributions: Account # 4-2, Institutional Fund Balance

Repayments of Fund Capital to Institution: Account # 6-8, Repayments to Institution

Interest Income on Loans: Account # 6-3, Interest Earned on Loans

Other Income: The sum of accounts #

- 6-4 Other Earnings - Late Charges on Loans Made 7/1/87 and After
- 6-5 Other Earnings - Miscellaneous

Reimbursements to the Fund of Amounts Cancelled on Loans Made 7/1/72 and After: Account # 6-6, Reimbursement of Amounts Cancelled on Loans Made 7/1/72 and After

Administrative Cost Allowance: Account # 7-2, Administrative Cost Allowance (ACA) Paid to Institution

Collection Costs: Account # 7-3, Other Collection Expenses

Administrative Cost Allowance and Collection Costs (Control): The sum of accounts # 7-2 and 7-3

Cost of Loan Principal and Interest Cancelled for Teaching/Military Service on Loans Made Prior to 7/1/72: The sum of accounts #

- 7-4 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made Prior to 7/1/72

- 7-6 Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made Prior to 7/1/72

Cost of Loan Principal and Interest Cancelled for Certain Subject Matter Teaching Service (Math, Science, Foreign Languages, Bilingual Education) on Loans Made 7/23/92 and After: Account # 7-7, Cost of Loan Principal and Interest Cancelled - Teaching Service (Field of Expertise: Math, Science, Foreign Language, Bilingual Education), Loans Made 7/23/92 and After

Cost of Loan Principal and Interest Cancelled for All Other Authorized Teaching Service on Loans Made 7/1/72 and After: The sum of accounts #

- 7-5 Cost of Loan Principal and Interest Cancelled - Teaching Service, Loans Made 7/1/72 and After

- 7-13 Cost of Loan Principal and Interest Cancelled - Head Start

Cost of Loan Principal and Interest Cancelled for Military Service on Loans Made 7/1/72 and After: Account # 7-8, Cost of Loan Principal and Interest Cancelled - Military Service, Loans Made 7/1/72 and After

Cost of Loan Principal and Interest Cancelled for Volunteer Service in the Peace Corps or under the Domestic Volunteer Service Act of 1973: The sum of accounts #

- 7-12 Cost of Loan Principal and Interest Cancelled - Peace Corps or VISTA

- 7-14 Cost of Loan Principal and Interest Cancelled - Volunteer Service

Cost of Loan Principal and Interest Cancelled for Law Enforcement and Corrections Officer Service: Account # 7-15, Cost of Loan Principal and Interest Cancelled - Law Enforcement and Corrections Officer Service

Cost of Loan Principal and Interest Cancelled for Child/Family and Early Intervention Service on Loans Made 7/23/92 and After: Account # 7-17, Cost of Loan Principal and Interest Cancelled - Child/Family and Early Intervention Service

Cost of Loan Principal and Interest Cancelled for Nurse/Medical Technician Service on Loans Made 7/23/92 and After: Account # 7-16, Cost of Loan Principal and Interest Cancelled - Nurse/Medical Technician

Cost of Principal and Interest Cancelled Because of Death/Disability: The sum of accounts #

- 7-9 Cost of Loan Principal and Interest Cancelled - Death
- 7-10 Cost of Loan Principal and Interest Cancelled - Disability

Cost of Principal and Interest Cancelled Because of Bankruptcy: Account # 7-11, Cost of Loan Principal and Interest Cancelled - Bankruptcy

Cost of Defaulted Loan Principal and Interest Assigned to and Accepted by the United States: Account # 7-18, Cost of Defaulted Loan Principal and Interest Assigned to Federal Government

Other Costs or Losses: Account # 7-19, Other Costs or Losses

6.2.3.2 Section B: Annual Fund Activity

Final adjusted authorization

The final adjusted federal capital contribution (FCC) authorization reported in Section B should equal the FCC amount authorized in the school's original allocation letter for the previous award year, *plus* any supplemental allocation amounts for the year, *minus* any allocation amounts deobligated for the year. (See section 3.1.2.)

Funds transferred to FSEOG and FWS

FCC transferred to and spent in Federal Supplemental Educational Opportunity Grant (FSEOG) and Federal Work-Study (FWS) must be reported in Section B. (See section 3.4.1.) The sum of amounts transferred to and spent in both programs may not exceed 25 percent of a school's total FCC allocation. Any FCC transferred to FSEOG or FWS must be entered on the school's

ED/PMS 272 Report as an expenditure against the school's Federal Perkins Loan authorization, *not* against its authorization for FSEOG or FWS.

Amount of FCC not drawn down

Schools must report the amount of final adjusted FCC for the previous award year that was not requested (drawn down) from ED/PMS by the end of the year. (Schools may not request FCC after June 30 of a given award year.) Authorized FCC amounts that are not requested will be deducted from funds available in a school's ED/PMS grantee account.

ICC amount

The amount of institutional capital contribution (ICC) deposited into a school's Federal Perkins Loan fund for the previous award year must be reported in Section B. (See section 3.2.3.)

Amount of loans advanced

The amount of loans advanced to students is the net amount of loans made to borrowers from a school's Federal Perkins Loan fund during the previous award year. The amount of loans advanced should equal the total amount of loans paid to borrowers during the year *minus* any refunds or repayments of loans made during the year. Refunds or repayments of prior year loans are not included.

ACA claimed from Perkins Loan funds

Administrative cost allowance (ACA) is the amount withdrawn from a school's Federal Perkins Loan fund to cover the cost of administering one or more Title IV campus-based programs. (See section 3.3.)

Amount of principal and interest repaid

Schools must report the total amount of principal and interest repaid by borrowers from all sources during the previous award year, as well as an unduplicated count of borrowers who made payments (in other words, a borrower with two loans is counted only once). The total dollar amount repaid includes:

- all amounts received as payments against borrowers' loans, regardless of the source of the payment,
- any portion of a payment kept by a collection agency, and
- penalty charges or late fees collected and deposited into the school's Federal Perkins Loan fund.

The total dollar amount repaid does *not* include:

- collection firm charges due as collection costs that are over and above the amount of principal and interest collected *or*

- interest received from any investments.

Commercial billing agency information

Finally, Section B requires a school to report the name and address of any commercial billing agency that provides routine billing, collection, and reporting services for the school's Federal Perkins Loan fund. A school must also report the name, title, and telephone number of the school loan officer responsible for Perkins Loan collections if this is a person other than the financial aid administrator or fiscal officer who signs the FISAP.

6.2.3.3 Section C: Cumulative Repayment Information

Counting numbers of borrowers

This section analyzes the repayment status of all of a school's past and present Federal Perkins Loan borrowers as of the end of the previous award year. It collects information on the number of borrowers in various repayment categories and the dollar amounts of their loans. When counting numbers of borrowers, schools should count the number of borrowers, not the number of loans made. Some borrowers may have received more than one Perkins Loan.

Borrowers with more than one loan

If a borrower has more than one loan and the loans fall into more than one repayment category, dollar figures for each loan should be reported on the line that describes the status of that loan. For example, a borrower might have one Perkins Loan that is paid in full and another Perkins Loan that is still in repayment. The amount of the first loan would be reported under "borrowers whose loans are fully retired," while the amount of the second loan would be reported under "borrowers on schedule in repayment." In any case, a borrower should be counted only once and reported in the "number of borrowers" column and the category where his or her principal amount outstanding is the greatest. In the example above, that category would be "borrowers on schedule in repayment."

Fully retired loans

Borrowers whose loans are fully retired are those borrowers whose loans have been completely repaid or cancelled. This category includes loans that were retired after the remaining outstanding principal was written off.

Loans assigned to ED

Borrowers whose defaulted notes were assigned and accepted are those borrowers whose defaulted loans were assigned by a school and officially accepted by ED as of the end of the previous award year. Total principal amount outstanding for these loans is the amount that was outstanding when the loans were assigned to and accepted by ED. The amount may not include any penalty charges or late fees assigned to ED for collection *or* any payments a school might have received from borrowers after ED accepted their loans. Payments received by a school after a loan is assigned (to ED) must be sent directly to ED.

Borrowers not in repayment

Borrowers not in repayment are those borrowers attending an eligible postsecondary school at least half time and those borrowers whose loans are in a grace period or in deferment. This includes borrowers attending the school that made the loans, borrowers attending other schools under an authorized in-school deferment, borrowers who have obtained any other type of authorized deferment, and borrowers whose loans are in an initial or post-deferment grace period. (Detailed information about Perkins Loans deferments can be found in Chapter 6 of *The 1995-96 Federal Student Financial Aid Handbook.*)

Borrowers in default

A Perkins Loan borrower in default is one who has failed to make a scheduled payment on time or has otherwise failed to comply with the terms of the signed promissory note. In Section C, a school reports information on borrowers whose loan payments are due:

- in monthly installments and who have been in default for less than 240 days *and* less frequently than monthly and have been in default for less than 270 days, and

- in monthly installments and who have been in default 240 days or more *and* less frequently than monthly and have been in default 270 days or more.

6.2.3.4 Section D: Cohort Default Rate

Definitions of terms used in Section D

Several terms must be defined for a school to accurately calculate its Federal Perkins Loan cohort default rate.

A borrower *enters repayment* the day after an initial grace period ends or the day the borrower waives the initial grace period. The start-date of the repayment period does not change if a deferment or cancellation is granted after the borrower enters repayment.

A loan is *in default* if a borrower fails to make a scheduled installment payment on time or fails to comply with other terms of the signed promissory note. For the purpose of calculating a cohort default rate, default is in effect when payment is not made for 240 days for loans repaid in monthly installments and 270 days for other loans. A loan is still considered to be in default if, in order to avoid the default, a borrower's payment is made by an institution, its owner, an agency, a contractor, an employee, or any other entity or individual affiliated with the institution.

A loan is *not in default* if a borrower has made satisfactory arrangements to resume paying the loan.

6.2.4 Part IV: Federal Supplemental Educational Opportunity Grant (FSEOG) Program

A school must complete Part IV if it received Federal Supplemental Educational Opportunity Grant (FSEOG) funds for the previous award year. This part summarizes the school's use of FSEOG funds during that year.

Section A

Final adjusted authorization

The final adjusted FSEOG authorization reported in Section A of Part IV should equal the amount authorized in a school's original allocation for the previous award year, *plus* any supplemental allocation amounts received for the year, *minus* any allocation amounts deobligated for the year. (See section 3.1.2.)

Section B

Federal funds available

Section B of Part IV is used to calculate the amount of federal funds available for a school's FSEOG expenditures in the previous award year. The total amount of federal funds available is equal to the final adjusted FSEOG authorization, *plus* Federal Work-Study (FWS) funds transferred to and spent in FSEOG, *plus* Federal Perkins Loan federal capital contribution (FCC) funds transferred to and spent in FSEOG. (See section 3.4.1.)

FWS funds transferred to FSEOG

In Section B, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the award year being reported.

Perkins funds transferred to FSEOG

A school must also report in Section B the amount of Federal Perkins Loan FCC transferred to FSEOG. This amount must have been spent in FSEOG. Any unspent amount must be returned to the Perkins Loan fund. The maximum amount that may be transferred from Perkins Loan FCC to FSEOG is 25 percent of the school's original and supplemental FCC allocations for the award year being reported.

Section C

FSEOG funds paid

Section C asks for the total amount of FSEOG funds paid to recipients. This amount must consist of the required 75 percent federal and 25 percent nonfederal shares. (See section 3.2.1.) The nonfederal share reported in this section may not exceed the required 25 percent.

Section D

Section D shows how a school spent the federal portion of its FSEOG funds. The total amount of federal FSEOG funds spent is equal to the federal share of FSEOG funds paid to students *plus* the administrative cost allowance (ACA) claimed from federal FSEOG funds.

Federal share paid to students

The 75 percent federal share of FSEOG funds paid to students includes any FWS funds or Federal Perkins Loan FCC transferred to FSEOG and used to make awards to students.

ACA taken from FSEOG

The administrative cost allowance (ACA) reported in Section D is the amount taken from a school's FSEOG allocation to cover the cost of administering one or more Title IV campus-based program. (See section 3.3.)

Section E

Section E of Part IV shows how much of a school's total federal FSEOG allocation was used and enables the school to calculate the amount of unexpended federal FSEOG funds.

Expended FSEOG allocation

A school's expended FSEOG allocation is equal to the total amount of federal FSEOG funds spent (from Section D), *minus* the amount of FWS funds transferred to and spent in FSEOG (from Section B), *minus* the amount of Federal Perkins Loan FCC transferred to and spent in FSEOG (from Section B). This amount must agree with the final FSEOG expenditure amount reported on a school's Federal Cash Transaction Report (ED/PMS 272 Report).

Unexpended FSEOG allocation

A school's unexpended FSEOG allocation is equal to its final adjusted FSEOG authorization amount (from Section A) *minus* its total expended FSEOG allocation (from Section D). If this amount is a positive dollar figure, the amount of unexpended FSEOG funds will be deducted from the school's ED/PMS grantee account. If this amount is a negative dollar figure, it must not be reported on the FISAP; this is an excess FSEOG expenditure and must be charged to institutional funds.

Section F

Prior year recoveries

Section F of Part IV concerns prior year recoveries. Prior year recoveries are the federal share of either any FSEOG monies students have returned to a school during the reported award year from awards disbursed prior to that award year *or* any recoveries of FSEOG funds a school failed to report on a previous FISAP. For example, if a student received an FSEOG award during the 1993-94 award year and returned all or part of the award to the school during the 1994-95 award year, the federal share of the amount returned would be considered a prior year recovery. Prior year recoveries generally occur as a result of an incorrect analysis of a student's financial need, an error in disbursing funds, or a refund/repayment calculation. Any payments resulting from audit or program review liabilities should not be reported as prior year recoveries.

Open and closed award recoveries

A prior year recovery may be classified as an open award recovery *or* as a closed or purged award recovery. An open award is any award that still appears on a school's quarterly or monthly ED/PMS 272 Report. A closed or purged award is any award that no longer appears on the ED/PMS 272 Report. (For information on how to report prior year recoveries, refer to section 6.5 of this book, the ED/PMS *Recipient's Guide*, and Part IV of the FISAP instruction booklet.)

6.2.5 Part V: Federal Work-Study (FWS) Program

A school must complete Part V if it received Federal Work-Study (FWS) funds for the previous award year. This part summarizes the school's use of FWS funds during that year.

Section A

Final adjusted authorization

The final adjusted FWS authorization reported in Section A of Part V should equal the amount authorized in a school's original allocation for the previous award year, *plus* any supplemental allocation amounts for the year, *minus* any allocation amounts deobligated for the year. (See section 3.1.2.)

Section B

Funds available for expenditures

Section B of Part V is used to calculate the amount of federal funds available for a school's FWS expenditures in the previous award year. The total amount of federal funds available is calculated on the basis of the school's final adjusted FWS authorization, the amount of funds transferred between campus-based programs, and the amount of FWS funds carried forward and carried back between award years.

Perkins funds transferred to FWS

In Section B, a school must report the amount of Federal Perkins Loan FCC transferred to FWS. This amount must have been spent in FWS *or* any unspent amount must have been returned to the Perkins Loan fund. The maximum amount that may be transferred from Perkins Loan FCC to FWS is 25 percent of the school's original and supplemental FCC allocations for the previous award year. (See section 3.4.1.)

FWS funds transferred to FSEOG

Also in Section B, a school must enter the amount of FWS funds transferred to FSEOG. This amount must have been spent in FSEOG *or* any unspent amount must have been returned to FWS. The maximum amount that may be transferred from FWS to FSEOG is 25 percent of the school's original and supplemental FWS allocations for the previous award year. (See section 3.4.1.)

FWS funds carried forward or carried back

Section B also requires schools to report the amount of FWS funds carried forward and carried back between award years. (See section 3.4.2.) A school may carry up to 10 percent of its FWS funds forward to be spent in the next award year. Similarly, if a school needs additional FWS funds during an award year, it may carry back ("use") up to 10 percent of its next award year's FWS allocation. Unused FWS funds may be carried back and spent as payments to students for wages earned during summer employment between May 15 and June 30 of the previous award year. In Section B of Part V, a school must report any such activity that affected expenditures during the award year for which it is filing the FISAP report.

Section C

Total earned compensation

In Section C, a school reports the total amount of earned FWS compensation paid to students during the previous award year. This is the gross amount of wages paid and includes taxes and other withholdings. The amount must, at a minimum, consist of 25 percent nonfederal funds, which is also reported in Section C. The nonfederal (institutional) share includes amounts contributed by the school as well as amounts contributed by any off-campus employer. If the off-campus employer is a private, for-profit organization, the nonfederal share must consist of at least 50 percent of the earned wages. If the nonfederal share of compensation was paid in kind (for example, as a tuition waiver), the in-kind compensation value must be converted to a cash amount for this reporting. (See section 3.2.2.)

Section D

Section D shows how a school spent the federal share of its FWS funds. The total amount of federal FWS funds spent is equal to the federal share of FWS funds paid to students as earned compensation, *plus* the administrative cost allowance claimed from federal FWS funds, *plus* the federal share of Job Location and Development Program expenditures.

Federal share of earned compensation

The total federal share of FWS earned compensation is the maximum 75 percent federal share of FWS funds paid to students. The maximum 75 percent federal share applies to on-campus employment and to off-campus employment at public or private non-profit agencies. The federal share amount may exceed 75 percent only if a school has an approved waiver of its institutional share. Wages paid for for-profit, off-campus employment may contain a maximum 50 percent federal share; an institutional share waiver may not apply to these wages.

ACA taken from FWS

The administrative cost allowance (ACA) reported in Section D is the amount a school takes from its FWS allocation to cover the cost of administering one or more Title IV campus-based program. (See section 3.3.)

Federal share of JLD expenses

The federal share of Job Location and Development (JLD) Program expenditures must be whichever is less of $50,000 *or* 10 percent of a school's original and supplemental FWS allocations.

Section E

Section E of Part IV shows how much of a school's total federal FWS allocation was used and enables the school to calculate the amount of unexpended federal FWS funds.

A school's expended federal FWS allocation must agree with the final FWS expenditure amount reported on a school's Federal Cash Transaction Report (ED/PMS 272 Report). This amount may not exceed a school's final adjusted FWS authorization, as reported in Section A of Part V.

Expended FWS allocation

A school's unexpended FWS allocation is equal to its final adjusted FWS authorization amount (from Section A) *minus* its total expended FWS allocation (from Section E). If this amount is a positive dollar figure, the amount of unexpended FWS funds will be deducted from the school's ED/PMS grantee account. If this amount is a negative dollar figure, it cannot be reported on the FISAP. The negative dollar figure represents an excess FWS expenditure and must be charged to the institutional share of earned compensation.

Unexpended FWS allocation

Section F

Prior year recoveries

Section F of Part V concerns prior year recoveries. Prior year recoveries are the federal share of any FWS monies students have returned to a school during the previous award year from wages paid before the previous award year *or* any recoveries of FWS funds a school failed to report on a previous FISAP. For example, if a student received FWS wages during the 1993-94 award year and returned all or part of the wages to the school during the 1994-95 award year, the federal share of the amount returned would be considered a prior year recovery. Prior year recoveries generally occur as a result of incorrect analysis of a student's financial need or an error in disbursing funds. Payments resulting from audit or program review liabilities should not be reported as prior year recoveries.

If a school had prior year recoveries, it must adjust its award expenditures for the year the award was made. (For information on how to report prior year recoveries to ED, refer to section 6.5 of this book, the ED/PMS *Recipient's Guide*, and Part IV of the FISAP instruction booklet.)

Section G

JLD expenditures

Schools that participate in the Job Location and Development (JLD) Program must use Section G to report JLD expenditures. If a school used any federal funds to operate a JLD Program, its institutional expenditures for JLD must be at least 20 percent of its total JLD expenditures.

Note: For 1994-95, information on community-service activities will be collected on the E40-4P Form (the Campus-Based Reallocation Form). The data collected are the number of students in community-service employment, federal share of community service earned compensation, and non-federal share of community service earned compensation. The data were *not* collected on the FISAP filed October 1, 1995 for the 1994-95 award year. However, the FISAPs for following years will collect this information about community-service activities.

6.2.6 Part VI: Program Summary

Part VI contains two sections. In Section A, a school identifies its campus-based aid recipients by type of student and by income. The school enters the amount spent and the number of recipients in each category. Backup documentation must be kept on file at the school.

Section B is used to calculate a school's administrative cost allowance (ACA).

6.2.6.1 Section A: Distribution of Program Recipients and Expenditures by Type of Student

If a school participated in one or more Title IV campus-based program during the previous award year, it must complete Section A. The school will need data from Parts III, IV, and V of the FISAP, as well as its own institutional records, to complete this section.

Types of students

In Section A, a school reports the distribution of its campus-based aid recipients by type of student (undergraduate dependent, undergraduate independent, and graduate/professional). Within each "type," recipients are further broken down and reported on the basis of income level.

Family income

In this section, income is determined in the same manner as in Part II, Section E. This is the total of a student's and parent's or student's and sp- -se's taxable and nontaxable income used to calculate the student's Expected Family Contribution (EFC).

Students reported in Section A are both full-time and part-time students. There is no longer a separate category for less-than-full-time students.

If a student falls into more than one category "type" (undergraduate, graduate, dependent, independent), the student should be reported in the category that represents the greater enrollment period. For example, if a student received campus-based aid as an undergraduate student for the period July 1, 1994 to December 31, 1994 (six months) and as a graduate student for the period January 1, 1995 to May 31, 1995 (five months), the student would be reported as an undergraduate student.

The "summary recipients" column is an unduplicated count of students in each income category.

For each campus-based program, the amount of funds reported is the total amount awarded and spent under the program and consists of both the federal and nonfederal shares.

6.2.6.2 Section B: Calculating Administrative Cost Allowance

If a school claims an administrative cost allowance (ACA) for the previous award year, it must complete this section. The ACA worksheet is provided for calculation purposes only; it should be retained in the school's files for audit and program review purposes and should not be returned to ED.

The amount of ACA a school may claim is calculated on the basis of the school's total campus-based program expenditures, as reported in Parts III, IV, and V of the FISAP. Schools may claim varying percentages of their expenditures as ACA according to the total amount of their program expenditures. (See section 3.3.)

ACA may be charged against:

Sources of ACA

- cash on hand in a school's Federal Perkins Loan fund, if the school made Perkins Loans to students during the award year;
- a school's FSEOG allocation, if the school disbursed FSEOG awards to students during the award year; and/or
- a school's FWS allocation, if the school paid FWS wages to students during the award year.

Charging ACA against program funds

The total of all ACA for all programs may be charged to one program or any combination of programs the school chooses. However, for the Federal Perkins Loan Program or FWS Program, a school may not charge ACA against program funds if the school's only expenditure from that program was a transfer of funds to another campus-based program.

6.3 Department of Education Payment Management System (ED/PMS)

Note: Two Dear Colleague Letters were anticipated at the time this edition was written that provide new procedures for handling Pell, ACA, and Perkins Loan cancellations through ED/PMS.

ED/PMS is an acronym for the Department of Education Payment Management System. ED/PMS is the central repository for payment transactions for schools receiving funds from ED through Financial Services (FS). ED/PMS is a system; FS is the office within ED that administers the system.

Award authorizations

*There is no official award authorization amount for the William D. Ford Federal Direct Loan Program. Direct Loan funds are requested on the basis of a school's immediate need. (See Chapter 4.)

Schools participating in the Federal Pell Grant and campus-based programs and Level 1 schools in the Federal Direct Loan Program must request funds through ED/PMS. (Schools do *not* request FFEL funds through ED/PMS, and Level 2 and Alternative Origination [Level 3] Federal Direct Loan Schools do not request funds through ED/PMS.) Each school has an account with ED/PMS for its Title IV campus-based and Federal Pell Grant funds and a separate account for its Federal Direct Loan Program funds. Once a school receives an official award authorization, the authorization amount is recorded in the school's ED/PMS account and the school may request payments against the funds available in its account.* The amount of funds available is equal to the advance payment sum of all funds authorized by program offices within ED *minus* the funds the school has already received. A school may receive funds through ED/PMS in advance or by reimbursement.

Schools also use ED/PMS to report Title IV program expenditures, with the exceptions of expenditures of FFEL and Federal Direct Loan funds. (For information about reporting Title IV expenditures through ED/PMS see section 6.3.2.)

6.3.1 Requesting Payments

Advance payment

ED/PMS pays most schools in advance. Schools receive funds from ED/PMS through the Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT) system or FEDWIRE.

ACH/EFT

ACH/EFT is also referred to as direct deposit. Under ACH/EFT, ED/PMS electronically transfers a school's payments through the Federal Reserve Bank (FRB) network to the school's depositor account at a designated financial institution.

FEDWIRE

Under FEDWIRE, funds are transferred directly from ED through the FRB network to the school's depositor account at a designated financial institution. FEDWIRE generally is used to transfer funds to states and some large postsecondary institutions. A bank is allowed to charge a school a fee for processing FEDWIRE transactions.

Reimbursement payment

ED/PMS pays some schools by reimbursement. A school may be required to go to the reimbursement payment method at the request of an ED program office. Generally, reimbursement occurs if, in the past:

- a school did not comply with ED's regulations; *or*
- a school did not meet program requirements; *or*
- an ED program office identified other problems with a school's award authorization.

A school's ED/PMS account may also be changed to reimbursement at the request of FS if:

- the school has defaulted on an agreement to repay a debt due ED *or*
- the school has abused advance payment privileges.

Detailed instructions for enrolling in and using ACH/EFT and FEDWIRE and for obtaining payments by reimbursement can be found in Chapter 3 of the ED/PMS *Recipient's Guide.*

More information about advance payment, reimbursement, reimbursement payment, ACH/EFT, and FEDWIRE is contained in Chapter 4 of this book.

6.3.2 Reporting Expenditures

ED/PMS 272 Report

The ED/PMS 272 Report is an electronic or paper financial report that schools use to report on cash disbursements. ED uses the information from a school's ED/PMS Report to determine if federal funds financed through ED/PMS are disbursed in accordance with federal cash management requirements.

A school receives an ED/PMS 272 Report monthly or quarterly from ED (this is determined by the amount of funds received)* for each general account that it has in ED/PMS. A general account is one for which a school receives funds and for which it is required to report disbursements. A school retrieves the monthly report electronically (see section 6.4.); the quarterly report is mailed to a school's business office.

*Note: This monthly or quarterly process does not fluctuate month-to-month or quarter-to-quarter. Once a grantee is reporting monthly, it continues to report monthly.

Regardless of whether a school reports monthly or quarterly, a hard copy of the ED/PMS Report contains six documents. (A seventh document, the Error Correction Document [ED/PMS 272C], was discontinued as of March 31, 1993.) A sample ED/PMS 272 Report can be found on pages 281-285.

6.3.2.1 Transmittal Letter

Documents contained in ED/PMS 272 Report

Each ED/PMS 272 Report contains a transmittal letter. School fiscal officers should read the letter carefully, as it contains important information and notices about federal financial reporting requirements, such as the deadline for filing the quarterly ED/PMS Report.

6.3.2.2 Federal Cash Transactions Report: Status of Federal Cash

This report, referred to as the ED/PMS 272 page 1, summarizes a school's cash status and fund activity through the end of the reporting period. This summary report must be completed last, after the school has completed ED/PMS 272A.

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6.3.2.3 ED/PMS 272A: Federal Cash Transaction Report

ED/PMS 272A contains a list of awards that are open and active—that is, those for which a school is receiving funds and reporting disbursements. This report must be completed before the ED/PMS 272 page 1 is completed.

A school is required to report cumulative cash disbursements (federal cash transactions) through the end of the reporting period. ED/PMS 272A lists the cumulative amount of each award authorization, along with prior cumulative disbursements that the school reported for each award. The report also lists any resolutions of previous problems with awards.

Specific instructions for completing ED/PMS 272A can be found in Appendix L of the ED/PMS *Recipient's Guide.*

6.3.2.4 ED/PMS 272B: Statement of Cash Accountability

This part of the ED/PMS report is similar to a bank statement. It provides detailed information on disbursements, adjustments, and itemized payments in a school's ED/PMS account and shows the amount of cash for which a school is held accountable.

The ED/PMS 272B is used to identify problems with payments received through ED/PMS. Appendix M of the ED/PMS *Recipient's Guide* contains more information about this document.

6.3.2.5 ED/PMS 272F: Authorizations for Future Periods

The ED/PMS 272F lists award authorizations that will be available to a school at a later date. These awards are not included in the school's available funds balance, instead they are maintained within ED/PMS until the start-date of the award. This report is provided for information only; it does not require any action on the part of the school.

A complete description of ED/PMS 272F can be found in Appendix O of the ED/PMS *Recipient's Guide.*

6.3.2.6 ED/PMS 272G: Inactive Documents Report

A school uses ED/PMS 272G to identify expired awards, the amount of any unused funds left on the expired award, and the date the award will close in ED/PMS.

Automated suspension process

An automated suspension process is used to close expired awards. This process identifies awards to be closed and suspends or deobligates unused funds from them on a quarterly basis. Unused funds are suspended in the quarter preceding the closing date listed on the ED/PMS Report.

Funds are suspended when reported disbursements (expenditures) are less than the authorized award amount. When an award is suspended, the authorized amount is reduced to the amount of disbursements a school reported. This reduces the amount of funds available to the school. Suspended awards are closed in the next ED/PMS reporting period and are noted on the ED/PMS 272G Report.

Automated suspension does not replace the current award close-out process, nor does it replace any function that falls under the responsibility of an ED grant or program office that issues awards.

Appendix P of the ED/PMS *Recipient's Guide* gives detailed information about using the ED/PMS 272G.

6.4 Monthly Electronic Expenditure Reporting System (MEERS)

Advantages of using MEERS

The Monthly Electronic Expenditure Reporting System (MEERS) was implemented by ED as part of its continuing efforts to improve cash management by schools and other organizations that receive federal funds. MEERS enables ED to improve reporting on cash outlays for its programs to the U. S. Treasury and the Office of Management and Budget (OMB). MEERS also enables schools to report expenditures and resolve problems with their ED accounts more frequently, thus helping them maintain school fiscal records and report to ED in a more accurate and timely manner.

OMB and Department of Education General Administration Regulations (EDGAR) stipulate that schools with annual award authorizations totaling $1 million or more may be required to submit monthly expenditure reports. Other schools may elect to use MEERS if they so desire. MEERS will eventually replace the paper ED/PMS 272 Report.

Schools that have been transferred to monthly reporting or those that have elected to use monthly reporting transmit expenditure information using an IBM-compatible personal computer (PC) or an Apple Macintosh computer and software provided by ED. The following hardware and software are required for using MEERS:

Hardware and software requirements

- an IBM-compatible PC or Apple Macintosh Computer,
- MEERS software (provided by ED),
- a PC hard drive with at least 2 megabytes of free disk space (additional space is needed for storing a school's MEERS database),
- 400 kilobytes of available RAM,
- a modem installed on the same PC where MEERS software is installed,
- MS-DOS or PC-DOS version 3.3 or higher (for IBM-compatible PCs),
- a 5.25-inch or 3.5-inch floppy disk drive (double density or high density), and
- a printer capable of printing on 8.5-inch x 11-inch paper.

More detailed information about MEERS can be found in Chapter 4 of the ED/PMS *Recipient's Guide* and in the MEERS *User's Guide*.

Schools wishing to transfer to MEERS should contact:

Jay Greenberg
U.S. Department of Education
Financial Payments Group
600 Independence Avenue, SW
Room 3321
Washington, DC 20202-4331
202-401-0108

6.5 Adjusting Expenditures Reported to ED/PMS

Schools may make adjustments to reported disbursements (expenditures) on open or closed awards in ED/PMS. Such adjustments may occur as a result of a school:

Reasons for adjustments

- paying a refund to a Title IV account when a student has withdrawn from school;
- recovering funds directly from students (an overpayment to an eligible student or a payment to an ineligible student); and
- making a disbursement to a student who was underpaid in a previous payment period.

Adjustments resulting from audit or program review liabilities are discussed in section 6.6.6 of this book.

6.5.1 Open Awards (Current Year Adjustments)

Recoveries and expenditures

If an award is open and is listed on ED/PMS 272A or 272G, a school may make upward or downward adjustments by reporting the correct cumulative disbursements on ED/PMS 272A for the reporting period in which the adjustment is made. If the adjustment is a recovery, the school repays funds (makes a downward adjustment) from its current year program account(s). If the adjustment is an expenditure, the school draws additional funds (makes an upward adjustment) from its current year program account(s). (See Appendices L and P of the ED/PMS *Recipient's Guide*.)

An ED grants or program office may also initiate an adjustment to a school's reported disbursements on open awards. If a grants or program office reduces a school's award authorization amount to an amount that is less than the school's reported disbursement amount, the disbursement amount will be reduced to the revised authorization amount. The reduction will appear as a prior period adjustment on the school's ED/PMS 272 Report.

Adjustments initiated by ED

For the Federal Pell Grant Program, adjustments made by September 30 of the calendar year in which the award year ends are considered to be current year adjustments. These adjustments are reported in Processed Payment Vouchers submitted with a school's Institutional Payment Summary (IPS). (See Chapter 4 of *The 1995-96 Federal Student Financial Aid Handbook.*) Such adjustments will affect the school's Federal Pell Grant authorization, as reported on its Statement of Account. This adjusted authorization will, in turn, be reflected on the school's ED/PMS 272 Report.

Federal Pell Grant adjustments

6.5.2 Closed Awards (Prior Year Adjustments)

Closed awards are those that no longer appear on a school's ED/PMS 272 Report.

If an award is closed and a school needs to increase the amount of reported disbursements, the school must contact the grants or program office that issued the award and request an increase to the reported disbursement. If the grants or program office approves the increase, the award will be reinstated and the net amount of the increased disbursement amount will be posted to the school's ED/PMS account. This action will appear as a prior period adjustment on the school's ED/PMS 272 Report and will reduce the school's cash-on-hand (COH) amount.

Increasing reported disbursements

If an award is closed and a school needs to reduce the amount of reported disbursements, the school must contact the grants or program office that issued the award and request a decrease to the reported disbursement. If the grants or program office approves the reduction, the net amount of the reduction will be posted to the school's ED/PMS account. This action will appear as a prior period adjustment on the school's ED/PMS 272 Report and will increase the school's cash-on-hand (COH) amount.

Reducing reported disbursements

Federal Pell Grant adjustments

For the Federal Pell Grant Program, adjustments made after September 30 of the calendar year in which the award year ends are considered prior year adjustments. Schools are allowed to adjust their prior year Federal Pell Grant accounts only as a result of:

- an ED program review,
- an audit,
- a court order, *or*
- an overpayment to a student.

Once a debt to the Federal Pell Grant Program is established by a program review or audit, a school may not adjust its Federal Pell Grant expenditures on the ED/PMS 272 Report. Adjustments that must be made on the basis of a program review, audit, or court order are reported and dealt with within ED.

Adjustments made as a result of overpayments to students must be reported directly to ED's Federal Pell Grant Branch. Such adjustments must be reported by September 30 of the year following the original reporting deadline. These adjustments may not be made on Processed Payment Vouchers submitted with an Institutional Payment Summary (IPS).

There are isolated examples when the program office or an audit requires a school to make adjustments on closed awards from either of the two previous payment systems used by the Department of Education (EDPMTS or DFAFS). The adjustments occur when ED/PMS has decreased the award, but the school has unreported expenditures. The school would make the adjustment through the applicable ED program office.

6.6 Audits and Program Reviews

ED uses several methods to ensure that schools participating in Title IV programs follow correct procedures to award, disburse, and account for federal funds. These methods are also used to monitor schools' compliance with applicable laws and regulations, identify procedural problems, and recommend solutions.

6.6.1 Federal Audits

A federal audit is initiated by ED and conducted by ED's Office of Inspector General (OIG). A school may be selected for a federal audit if there is concern about the school's administration of Title IV programs. A federal audit does not satisfy the requirement that a school must have an annual nonfederal audit.

6.6.2 Compliance Audits

New requirements

The 1992 reauthorization of the Higher Education Act mandated new compliance and financial audit requirements. These requirements were implemented by final regulations published in the *Federal Register* on November 29, 1994.

Annual compliance audit required

With the new guidelines, all schools and third-party servicers must have an annual nonfederal compliance audit that covers every aspect of the school's or servicer's administration of Title IV programs. A school may not use a third-party servicer's audit in place of its own required audit. (For more information on working with third-party servicers, refer to Chapter 3, Sections Two and Six, of *The 1995-96 Federal Student Financial Aid Handbook.*) ED is currently working on guidelines for servicer audits. When this guidance is available, schools will be notified.

There are two types of audits:

- A single audit, where financial and compliance audits are done as one audit. In a single audit, the compliance audit examines all federal programs at the school. A single audit is due to ED within 13 months after the fiscal year that is being audited.

- A compliance audit, which covers only Title IV funds. When an institution has a compliance audit, it is required to have a separate, basic, generally-accepted-accounting-principle (GAAP) financial audit. A compliance audit is due to ED within six months after the end of the institution's most recently concluded fiscal year ending on or after the most recently completed award year for which the audit is performed.

The method and the type of audit depends on who controls the school:

- For-profit institutions must have a compliance audit. The compliance audit is to be conducted in accordance with ED's *Audit Guide: Compliance Audits (Attestation Engagements) of the Federal Student Financial Assistance Programs at Participating Institutions.* These institutions must also have a basic GAAP financial audit. This is to be done in accordance with procedures detailed in the federal publication *Government Auditing Standards* and follow generally accepted auditing standards.

- Nonprofit institutions must follow Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Organizations." OMB Circular A-133 requires a nonprofit institution with federal funding greater than $25,000 to have an audit. A nonprofit institution that receives federal funding of less than $100,000 or from a single source may choose between a single audit or compliance audit (the audit will follow the procedures described for a for-profit institution). OMB is in the process of revising Circular A-133. The revision will establish higher thresholds than are currently in effect. All other institutions must have a single audit.

- Public institutions must have an audit that complies with the Single Audit Act (P. L. 98-502) as implemented by OMB Circular A-128, "Audits of State and Local Governments." (The Single Audit Act only applies to state and local governments.) OMB circular A-128 requires a public institution with federal funding greater than $25,000 to have an audit. A public institution that receives federal funding of less than $100,000 can choose a single audit or compliance audit (the audit will follow the procedures described for a for-profit institution). All other institutions must have a single audit. OMB Circular A-128 allows public institutions to meet their audit requirement by having an A-133 audit instead of an A-128 audit.

Independent auditor required

An audit must be performed by an independent auditor following generally accepted auditing standards and the standards of the U. S. General Accounting Office (GAO) as set forth in the GAO publication *Government Auditing Standards* (1994 revision). The auditor or auditing firm used for a compliance audit may be the same one used to audit a school's other fiscal activities. The auditor or firm must, however, be independent of any auditor or firm authorizing a school's expenditure of Title IV program funds. The criteria for independence are given in the just-referenced GAO publication. An audit conducted by a state auditor who meets the criteria for independence satisfies the nonfederal compliance-audit requirement.

Cooperating with auditor

A school must make all program, fiscal, and student records available to an auditor. (See section 2.8.) Both the school's financial aid administrator and fiscal officer should be aware of the dates the auditor will be at the school. Representatives from the business and financial aid offices should be on-hand during this period to provide documents and answer questions.

Submitting an audit report

A final audit report is prepared by the auditor and submitted to the school. The school must then submit the audit report to ED or ED's representative, as determined by the type of audit.

For a single audit (A-128 and A-133), a school must submit two copies of the single audit report, management letter, and corrective action plan (if applicable) to:

Federal Audit Clearinghouse
Bureau of the Census
P. O. Box 5000
Jeffersonville, IN 47199-5000

A copy of the transmittal cover sheet that must be sent with single audits is shown on page 268.

For a compliance audit, a school must submit five copies of the audit report, management letter, and corrective action plan (if applicable) to:

U.S. Department of Education
Office of Postsecondary Education
Institutional Participation & Oversight Service
Institutional Monitoring Division, Audit Resolution Branch
600 Independence Avenue, SW
ROB-3, Room 3919
Washington, DC 20202-5430

The separate basic financial statement audit that must be done if a school has a compliance audit should be mailed to either of the following addresses:

U.S. Department of Education
Student Financial Assistance Programs
c/o Dun and Bradstreet
899 Eaton Avenue
Bethlehem, PA 18025-0016

U.S. Department of Education
Financial Analysis Branch
600 Independence Avenue, SW
Washington, DC 20202-5323

The timing for submitting reports and the information that must be submitted will be determined by the type of audit and the guidance provided. Please review the appropriate guidance for needed information. If the financial statement needs to be submitted, it must be submitted to ED within four months after the fiscal year that is being audited.

Corrective action plan

Regardless of the type of audit that has been performed, if there are findings, a school must prepare a corrective action plan (CAP) that addresses the findings included in the audit report. The CAP may be submitted separately to ED's Regional Inspector General for Audit (RIGA), or it may be included with the audit report.

ED actions resulting from audit report

It is ED's responsibility, not that of an auditor or audit firm, to determine what action will be taken as a result of an audit report. ED officials review the audit report and the school's CAP (if applicable) to determine what action, if any, is necessary. ED may:

- agree with the auditor's findings,
- modify the auditor's recommendations, *or*
- request additional information from the school.

ED access to school records and auditor records

A school is required to cooperate fully during ED's examination of its audit report. The school must give ED and/or OIG access to any records or other documents needed to review the audit report. In addition, the school's contract with its auditor must specify that the auditor will also give ED and/or OIG access to records and documents related to the audit, including work papers. Access includes the right to:

- copy records (including computer records),

- examine computer programs and data, and

- interview employees without the presence of school officials and without the school's use of a tape recorder.

Final determination notice

A school is notified in writing of ED's final determinations. As a result of ED's examination of a school's audit, the school may be required to:

- revise its administrative procedures;

- provide or reconstruct documentation to establish that expenditures were properly awarded and disbursed;

- implement corrective actions to prevent further improper expenditures of federal funds;

- repay improperly expended federal funds; *or*

- pay fines or interest or both.

Repayment of liabilities

If ED determines that Title IV program funds were expended improperly, the school must repay the funds within 45 days, unless the school has formally appealed the decision. Appeal procedures are given in Subpart H of 34 CFR 668.

In addition, if ED determines that Title IV program funds were expended improperly, ED may, in accordance with Subpart G of 34 CFR 668:

Allowable ED actions

- take emergency action to withhold a school's Title IV funds,

- fine a school up to $25,000 for each statutory or regulatory violation, *or*

- limit, suspend, or terminate a school's eligibility to participate in Title IV programs.

Such actions may be taken by ED if:

- a school is unable or unwilling to provide access to its records;
- there is sufficient evidence that federal funds were intentionally misused or fraudulently expended;
- ED has evidence indicating that a school is incapable of administering Title IV programs; *or*
- a school is unable or unwilling to repay improperly expended federal funds.

6.6.3 Program Reviews

Purposes of program reviews

In addition to reviewing schools' compliance-audit reports, ED may conduct its own program reviews. One purpose of a program review is similar to that of a compliance audit—to evaluate a school's management of Title IV programs and to ensure compliance with laws and regulations.

Criteria for selecting schools for review

In selecting schools for review, ED gives priority to schools that appear to be experiencing fiscal or administrative problems. Criteria include, but are not limited to:

- a Federal Family Education Loan (FFEL) Program cohort default rate of more than 25 percent;
- an FFEL Program cohort default rate that places the school within the top 25 percent of all FFEL Program default rates;
- a default dollar volume that is within the top 25 percent of all FFEL Program schools;
- a significant fluctuation in a school's FFEL or Federal Pell Grant Program volume;
- problems reported by an accrediting agency or a state agency;
- a high student withdrawal rate;

- negative reports or complaints from local law enforcement agencies;

- complaints or incriminating information from students, parents, or employees; *or*

- other reasonable suspicion of fraud or abuse at a school.

Unannounced program reviews

A school may be notified of an upcoming program review in advance, or the program review may be unannounced. Federal regulations stipulate that ED officials provide a school with a written request for a program review, but regulations do not preclude ED from providing the written request at the same time reviewers arrive at the school.

School cooperation required

School personnel must cooperate fully with ED officials before, during, and after a program review. Whether the program review is announced or unannounced, a school is expected to have its records organized and readily available for reviewers, and it may not object to providing access to its records. (See section 6.6.2.) However, because certain school officials might not be immediately available during an unannounced program review, a school may be allowed additional time to submit requested information/responses to review findings.

6.6.3.1 Focus of Program Reviews

A program review covers many of the same areas as an audit, including fiscal operations and accounting procedures, as well as a school's compliance with specific Title IV program requirements for student eligibility and awards. Program reviews, however, tend to focus more on regulatory requirements specific to Title IV programs, such as:

- student records and admission records,

- fund requests and transfers,

- records pertaining to due diligence and collecting Federal Perkins Loans,

- time sheets and pay rates for the Federal Work-Study (FWS) Program, and

- documents supporting a school's Federal Pell Grant and campus-based program reporting.

The program review team prepares a written report that is sent to a school within 30 to 60 days of the review. The school is expected to respond to the report to provide additional information or if it disagrees with any of the report's conclusions. When ED has fully considered and evaluated the school's response, ED sends the final program review determination letter to the school.

Like an audit, a program review may result in noncompliance findings or in monetary liabilities for a school.

Some common reasons for findings

Some common reasons for noncompliance findings include:

- unmet consumer-information requirements,
- excessive student drop-out or withdrawal rates,
- inadequate notification to FFEL Program borrowers about refunds made to lenders,
- excessive Federal Perkins Loan Program cohort default rates, and
- improperly maintained satisfactory academic progress records.

Some common reasons for liabilities

Some common reasons for monetary liabilities include:

- incomplete or undocumented verification procedures,
- missing or incomplete financial aid transcripts,
- undocumented entrance and exit loan-counseling interviews,
- inadequately established or monitored satisfactory academic progress standards,
- late refunds or unmade refunds,

- excess cash on hand from Title IV programs,
- inconsistent information in student files,
- inadequately maintained accounting records,
- improperly constructed student budgets,
- ineligible programs or locations,
- an undocumented FISAP income grid,
- failure to exercise due diligence in collecting Federal Perkins Loans,
- records not being maintained as required, and
- audit reports not being submitted.

ED actions resulting from findings

As a result of program review findings, ED may take emergency action against a school; fine a school for statutory and regulatory violations; or limit, suspend, or terminate a school's participation in Title IV programs, as described in Subpart G of 34 CFR 668. A school may appeal program-review findings as described in Subpart H of 34 CFR 668.

6.6.4 State Postsecondary Review Entities (SPREs)

Schools that meet statutory referral criteria may be subject to reviews by State Postsecondary Review Entities (SPREs) under the State Postsecondary Review Program (SPRP). SPRP was established by the 1992 reauthorization of the Higher Education Act and was implemented in final regulations published in the *Federal Register* on April 29, 1994 (34 CFR 667).

Funding for SPREs

ED provides federal funds to each SPRE for performing review functions. If Congress does not appropriate funds for the program, however, states are not required to perform SPRE reviews.

ED identifies schools for review and refers them to the appropriate SPRE. The SPRE then reviews the schools to determine their compliance with state standards. If a school fails to meet state standards, the SPRE may prescribe corrective actions or determine that the school should no longer participate in all or some Title IV programs. Schools have the opportunity to challenge the SPRE's findings through due process procedures at the state level.

More specific information about SPREs can be found in Chapter 3 of *The 1995-96 Federal Student Financial Aid Handbook.*

6.6.5 Guaranty Agency Reviews

Focus of guaranty agency reviews

Federal Family Education Loan (FFEL) Program regulations require guaranty agencies to conduct program reviews at postsecondary schools. A guaranty agency review is similar to an ED program review. However, a guaranty agency review focuses on how a school meets requirements specific to the FFEL Program, as those loans are made through guaranty agencies. These school requirements include:

- certifying loan applications,
- maintaining records supporting borrowers' eligibility,
- using established procedures for processing and paying loan monies, and
- notifying lenders when students change their enrollment status.

Additional information about guaranty agency reviews can be found in Chapter 3 of *The 1995-96 Federal Student Financial Aid Handbook* and in 34 CFR 682.410.

6.6.6 Repayment of Liabilities from an Audit or Program Review

Program Determination Letter

An audit or program review may result in liabilities under any of the Title IV programs for a current award year or for prior award years. Such liabilities are reported to a school by ED in a Program Determination Letter (PDL). If the PDL states that the school owes funds to ED, it will give specific steps that the school must take to reimburse ED for improperly spent funds. The institution should carefully follow the instructions in the PDL for reimbursing these funds.

Billing disallowed funds

If a school owes payments to ED, a copy of its PDL is also sent to the Accounts Receivable Management Group (ARMG) in ED's Financial Services (FS), where an account receivable is established for the school. A school is also billed for the disallowed amount of funds, accrued interest, and penalties through ED's billing agent. Payment instructions are included with the bill.

Paying disallowed funds

If a school owes ED $100,000 or more, it must remit payment through its financial institution by FEDWIRE. If a school owes ED less than $100,000, it must remit payment by check to ED's billing agent. (Additional information about making payments can be found in Chapter 6 of the ED/PMS *Recipient's Guide.*)

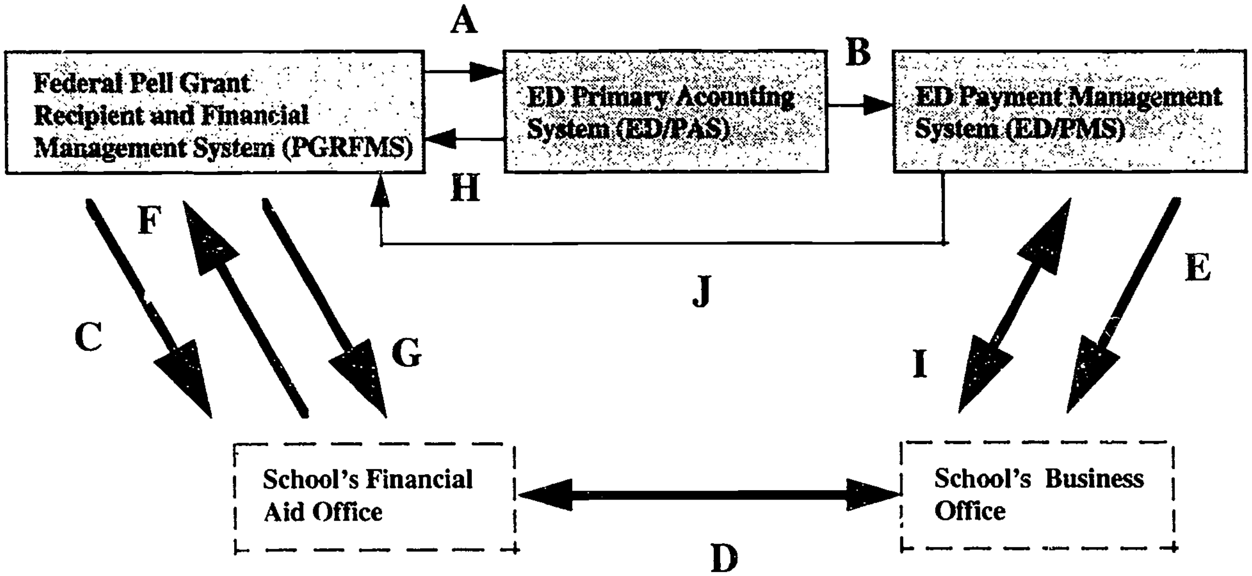
A school may not reduce amounts reported as expended on its ED/PMS 272 Report to account for expenditures disallowed as a result of an audit or program review. Any Title IV funds returned for this purpose will not be credited to a school's ED/PMS account and will not reduce the school's cash-on-hand amount in ED/PMS. Unless otherwise directed by the PDL, a school may not attempt to adjust its prior year FISAPs or Federal Pell Grant processed payment information to reflect expenditures disallowed as a result of an audit or program review, nor may it make repayments directly to any Federal Family Education Loan (FFEL) Program lender or to the Direct Loan Servicing Center.

Penalties for failure to repay disallowed funds

If a school does not return funds owed ED as a result of an audit or program review, any of the following penalties may occur:

- The school may be assessed penalty and administrative charges, as well as accrued interest on any unpaid balance.
- The school may be referred to a commercial collection agency and charged the agency's collection costs.
- The school may be referred to the U. S. Department of Justice for collection and legal action.
- The school may be referred to other government agencies from which it receives funds for administrative offsets.
- The school may be reported to credit bureaus.

Federal Pell Grant Payment Process



A PGRFMS establishes authorization and sends PGRFMS accounting data to ED/PAS office

B ED/PAS approves release of authorizations, notifies the program office, and forwards accounting data to ED/PMS so that school can request funds

C PGRFMS mails Statement of Account to notify school of authorization

D School's financial aid office determines Federal Pell Grant awards and requests payment by school's business office; after payment, financial aid office receives notification from business ofiice

E Business office draws down funds from ED/PMS based on authorization and pays awards to students

F Financial aid office reports student payment to PGRFMS using RDE (tape), EDE (modem), FDDE (floppy disk), or Payment Voucher (SAR, Part 3)

G PGRFMS returns processed student payment data to aid office and adjusts authorization when necessary (see A through E)

H ED/PAS sends ED/PAS accounting data to PGRFMS for reconciliation

I ED/PMS sends ED/PMS 272 to business office, business office completes and returns to ED/PMS

J ED/PMS sends ED/PMS 272A data to PGRFMS for reconciliation and posting to Statement of Account

SINGLE AUDIT REPORT SUBMISSION TRANSMITTAL

U.S. DEPARTMENT OF EDUCATION

Auditee Name: ______________________________

Auditee Address: ______________________________

____

Auditee Contact & Telephone: ______________________________

Audit Period: ______________________________

Entity Identification Number: ______________________________

Auditor Name: ______________________________

Attached are 2 copies of the Single audit report, management letter and corrective action plan. The copies are being submitted to satisfy the report submission requirements for the U.S. Department of Education.

ED form 646-1
OMB No 1840-0073
Expires 04/30/98

FISCAL OPERATIONS REPORT AND APPLICATION (FISAP)
REPORT: AWARD PERIOD JULY 1, 1994 - JUNE 30, 1995; APPLICATION: AWARD PERIOD JULY 1, 1996 - JUNE 30, 1997

PART I. IDENTIFYING INFORMATION, CERTIFICATIONS AND WARNING

SECTION A. IDENTIFYING INFORMATION

1a. NAME AND ADDRESS OF INSTITUTION

____
____
_______ __ ___

1b. MAILING ADDRESS (if different from 1a)

____
____
_______ __ ___

2a. SERIAL NO: ____ 2b. OPEID#: _______

3. ENTITY NO. 1-__-__-___-__

NAME AND/OR ADDRESS CHANGE:

____
____
_______ __ ___

EIN# CHANGE: __-___-___-__

ADDITIONAL LOCATIONS:
INSTITUTIONS WITH SEPARATELY ELIGIBLE ADDITIONAL LOCATIONS WHICH WILL BE FUNDED UNDER THIS APPLICATION MUST LIST THESE LOCATIONS AND THEIR ADDRESSES AND OPEID#'S ON THE NEXT SCREEN. YOU MAY NOT FILE A SEPARATE APPLICATION FOR ANY SEPARATELY ELIGIBLE INSTITUTION LISTED HEREIN.

WE HAVE ENTERED A LIST OF SEPARATELY ELIGIBLE ADDITIONAL LOCATIONS INCLUDED IN THIS APPLICATION. YES ___ NO ___

4. TYPE OF INSTITUTION ("X" ONE)

_ 4.1 PUBLIC
_ 4.2 PRIVATE/NON-PROFIT
_ 4.3 PROPRIETARY

_ A) ART
_ B) BUSINESS
_ C) COSMETOLOGY
_ D) TRADE & TECHNICAL
_ E) OTHER

5. LENGTH/TYPE OF PROGRAM ("X" ONE)

_ 5.1 LESS THAN 1 YEAR
_ 5.2 1 YEAR BUT LESS THAN 2 YEARS
_ 5.3 2 YEARS BUT LESS THAN 3 YEARS
_ 5.4 3 YEARS BUT LESS THAN 4 YEARS
_ 5.5 4 YEARS (BACCALAUREATE DEGREE GRANTING ONLY)
_ 5.6 5 YEARS OR MORE
_ 5.7 POSTBACCALAUREATE ONLY

SECTION B. CERTIFICATIONS AND WARNING

WE CERTIFY THAT THE INFORMATION CONTAINED IN THIS FISAP IS IN COMPLIANCE WITH GOVERNING LEGISLATION AND REGULATIONS AND IS TRUE AND ACCURATE TO THE BEST OF OUR KNOWLEDGE. WE UNDERSTAND THAT THE INFORMATION IS SUBJECT TO AUDIT AND PROGRAM REVIEW BY REPRESENTATIVES OF THE SECRETARY OF EDUCATION.

* WARNING: ANY PERSON WHO KNOWINGLY PROVIDES FALSE OR MISLEADING INFORMATION ON THIS FISAP WILL BE SUBJECT TO A FINE OF UP TO $10,000 OR TO IMPRISONMENT OF UP TO 5 YEARS OR TO BOTH UNDER PROVISIONS OF THE UNITED STATES CRIMINAL CODE TITLE 18 SECTION 1001. *

6. Chief Executive Officer (President, Chancellor, Owner, etc.)

SIGNATURE ____________ DATE SIGNED / /
TYPED NAME ____________ TELEPHONE NO (___) ___-____
FAX PHONE NO (___) ___-____

7. FINANCIAL AID ADMINISTRATOR

SIGNATURE ____________ DATE SIGNED / /
TYPED NAME ____________ TELEPHONE NO (___) ___-____
FAX PHONE NO (___) ___-____

8. CHIEF FISCAL OFFICER

SIGNATURE ____________ DATE SIGNED / /
TYPED NAME ____________ TELEPHONE NO (___) ___-____
FAX PHONE NO (___) ___-____

9. Name and Address of Private Financial Aid Consultant Firm
Name: ____________
Address1: ____________
Address2: ____________
City: ____________ State: __ Zip: ____

ED form 646-1
OMB No 1840-0073
Expires 04/30/98

APPLICATION, PART II
NAME OF INSTITUTION: ________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-___-____-__
STATE: __

PART II. APPLICATION TO PARTICIPATE FOR AWARD YEAR JULY 1,1996 THROUGH JUNE 30, 1997

SECTION A. REQUEST FOR FUNDS FOR THE 1996-97 AWARD YEAR

1. FEDERAL PERKINS LOAN LEVEL OF EXPENDITURES $ ________
2. FEDERAL PERKINS LOAN FEDERAL CAPITAL CONTRIBUTION $ ________
3. FSEOG FEDERAL FUNDS $ ________
4. FWS FEDERAL FUNDS $ ________

SECTION B. FWS AND/OR FSEOG INSTITUTIONAL SHARE WAIVER REQUEST

(APPLIES ONLY TO CERTAIN INSTITUTIONS; SEE INSTRUCTIONS)

5. I WISH TO APPLY FOR A WAIVER BECAUSE OUR INSTITUTION IS DESIGNATED AS ELIGIBLE FOR TITLE III.

5.1 FWS __ YES __ NO

5.2 FSEOG __ YES __ NO

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APPLICATION, PART II

NAME OF INSTITUTION: ____________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-_

STATE: __

SECTION C. INFORMATION ON ENROLLMENT

(INSTITUTIONS WITH TRADITIONAL CALENDAR)

INSTITUTIONS THAT HAD 1994-95 ENROLLMENT, FILL IN LINE 6

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
6. TOTAL NUMBER OF STUDENTS, 1994-95	____	____

INSTITUTIONS THAT DID NOT HAVE 1994-95 ENROLLMENT, FILL IN LINES 7 AND 8

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
7. ESTIMATED NUMBER OF STUDENTS, 1995-96	____	____
8. PROJECTED NUMBER OF STUDENTS, 1996-97	____	____

(INSTITUTIONS WITH NON-TRADITIONAL CALENDAR)

	(A) CONTINUING STUDENTS	(B) NEW STARTS
9. JULY 1,1994	____	____
10. AUGUST 1	____	____
11. SEPTEMBER 1	____	____
12. OCTOBER 1	____	____
13. NOVEMBER 1	____	____
14. DECEMBER 1	____	____
15. JANUARY 1,1995	____	____
16. FEBRUARY 1	____	____
17. MARCH 1	____	____
18. APRIL 1	____	____
19. MAY 1	____	____
20. JUNE 1,1995	____	____
21. TOTAL	____	____

SECTION D. ASSESSMENTS AND EXPENDITURES

	(A) UNDERGRADUATE	(B) GRADUATE/PROFESSIONAL
22. TOTAL TUITION AND FEES FOR THE AWARD YEAR JULY 1,1994 - JUNE 30,1995	$ ____	$ ____
23. TOTAL FEDERAL PELL EXPENDITURES FOR THE 1994-95 AWARD YEAR	$ ____	
24. TOTAL EXPENDED FOR STATE GRANTS AND SCHOLARSHIPS MADE TO UNDERGRADUATES FOR THE AWARD YEAR JULY 1,1994 TO JUNE 30,1995	$ ____	

SECTION E. INFORMATION ON ELIGIBLE AID APPLICANTS FOR AWARD YEAR 1994-95

	DEPENDENT UNDERGRADUATE BACCALAUREATE/ 1ST PROFESSIONAL DEGREE (A) WITHOUT	(B) WITH	(C) LESS THAN FULL TIME		INDEPENDENT UNDERGRADUATE BACCALAUREATE/ 1ST PROFESSIONAL DEGREE (D) WITHOUT	(E) WITH	(F) GRADUATE/ PROFESSIONAL
25. STUDENTS WITH AN "AUTOMATIC" ZERO EFC	____	____	____		____	____	____
TAXABLE & UNTAXED INCOME				TAXABLE & UNTAXED INCOME			
26. $ 0 - $ 2,999	____	____	____	$ 0 - $ 999	____	____	____
27. $ 3,000 - $ 5,999	____	____	____	$ 1,000 - $ 1,999	____	____	____
28. $ 6,000 - $ 8,999	____	____	____	$ 2,000 - $ 2,999	____	____	____
29. $ 9,000 - $11,999	____	____	____	$ 3,000 - $ 3,999	____	____	____
30. $12,000 - $14,999	____	____	____	$ 4,000 - $ 4,999	____	____	____
31. $15,000 - $17,999	____	____	____	$ 5,000 - $ 5,999	____	____	____
32. $18,000 - $23,999	____	____	____	$ 6,000 - $ 7,999	____	____	____
33. $24,000 - $29,999	____	____	____	$ 8,000 - $ 9,999	____	____	____
34. $30,000 - $35,999	____	____	____	$10,000 - $11,999	____	____	____
35. $36,000 - $41,999	____	____	____	$12,000 - $13,999	____	____	____
36. $42,000 - $47,999	____	____	____	$14,000 - $15,999	____	____	____
37. $48,000 - $53,999	____	____	____	$16,000 - $17,999	____	____	____
38. $54,000 - $59,999	____	____	____	$18,000 - $19,999	____	____	____
39. $60,000 & OVER	____	____	____	$20,000 & OVER	____	____	____
40. TOTAL	____	____	____	TOTAL	____	____	____

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FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION: ________________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-__
STATE: __

PART III. FEDERAL PERKINS LOAN PROGRAM, SECTION A - FISCAL REPORT (CUMULATIVE) AS OF JUNE 30, 1995

LINE	ITEM (A)	NO OF BORROWERS (B)	DEBIT BALANCES (C)	CREDIT BALANCES (D)
1.1	CASH ON HAND AND IN DEPOSITORY AS OF 06/30/95	XXXXXXXXX	$ ______	XXXXXXXXXX
1.2	CASH ON HAND AND IN DEPOSITORY AS OF 10/31/95 $ ______	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
2	FUNDS RECEIVABLE FROM FEDERAL GOVERNMENT	XXXXXXXXX	$ ______	XXXXXXXXXX
3	FUNDS RECEIVABLE FROM INSTITUTION	XXXXXXXXX	$ ______	XXXXXXXXXX
4	FUNDS ADVANCED TO STUDENTS	______	$ ______	XXXXXXXXXX
5	LOAN PRINCIPAL COLLECTED	______	XXXXXXXXXX	$ ______
6	DEFAULTED LOAN PRINCIPAL ASSIGNED TO AND ACCEPTED BY THE UNITED STATES	______	XXXXXXXXXX	$ ______
7	TOTAL LOAN PRINCIPAL CANCELED ON LOANS MADE PRIOR TO 07/01/72	______	XXXXXXXXXX	$ ______
	FOR TEACHING/MILITARY SERVICE	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
8	LOAN PRINCIPAL CANCELED FOR CERTAIN SUBJECT MATTER TEACHING SERVICE	______	XXXXXXXXXX	$ ______
	(MATH, SCIENCE, FOREIGN LANGUAGES, BILINGUAL EDUCATION) ON LOANS MADE	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
	07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
9	LOAN PRINCIPAL CANCELED FOR ALL OTHER AUTHORIZED TEACHING SERVICE	______	XXXXXXXXXX	$ ______
	ON LOANS MADE 07/01/72 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
10	LOAN PRINCIPAL CANCELED FOR MILITARY SERVICE ON LOANS MADE 07/01/72 AND AFTER	______	XXXXXXXXXX	$ ______
11	LOAN PRINCIPAL CANCELED FOR VOLUNTEER SERVICE	______	XXXXXXXXXX	$ ______
12	LOAN PRINCIPAL CANCELED FOR LAW ENFORCEMENT AND CORRECTIONS OFFICER SERVICE	______	XXXXXXXXXX	$ ______
13	LOAN PRINCIPAL CANCELED FOR CHILD/FAMILY/EARLY INTERVENTION SERVICE	______	XXXXXXXXXX	$ ______
	ON LOANS MADE 07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
14	LOAN PRINCIPAL CANCELED FOR NURSE/MEDICAL TECHNICIAN SERVICE	______	XXXXXXXXXX	$ ______
	ON LOANS MADE 07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
15	LOAN PRINCIPAL CANCELED - DEATH/DISABILITY	______	XXXXXXXXXX	$ ______
16	LOAN PRINCIPAL CANCELED - BANKRUPTCY	______	XXXXXXXXXX	$ ______
17	LOAN PRINCIPAL ADJUSTMENTS - OTHER	______	XXXXXXXXXX	$ ______
18	FEDERAL CAPITAL CONTRIBUTIONS	XXXXXXXXX	XXXXXXXXXX	$ ______
19	REPAYMENTS OF FUND CAPITAL TO FEDERAL GOVERNMENT	XXXXXXXXX	$ ______	XXXXXXXXXX
20	INSTITUTIONAL CAPITAL CONTRIBUTIONS	XXXXXXXXX	XXXXXXXXXX	$ ______
21	REPAYMENTS OF FUND CAPITAL TO INSTITUTION	XXXXXXXXX	$ ______	XXXXXXXXXX
22	INTEREST INCOME ON LOANS	XXXXXXXXX	XXXXXXXXXX	$ ______
23	OTHER INCOME	XXXXXXXXX	XXXXXXXXXX	$ ______
24	REIMBURSEMENTS TO THE FUND OF AMOUNTS CANCELED ON LOANS MADE 07/01/72 AND AFTER	XXXXXXXXX	XXXXXXXXX	$ ______
25.1	ADMINISTRATIVE COST ALLOWANCE $ ______	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
25.2	COLLECTION COSTS $ ______	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
25.3	ADMINISTRATIVE COST ALLOWANCE AND COLLECTION COSTS (CONTROL)	XXXXXXXXX	$ ______	XXXXXXXXXX
26	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR TEACHING/MILITARY	XXXXXXXXX	$ ______	XXXXXXXXXX
	SERVICE ON LOANS MADE PRIOR TO 07/01/72	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
27	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR CERTAIN SUBJECT MATTER	XXXXXXXXX	$ ______	XXXXXXXXXX
	TEACHING SERVICE (MATH, SCIENCE, FOREIGN LANGUAGES, BILINGUAL EDUCATION)	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
	ON LOANS MADE 07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
28	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR ALL OTHER AUTHORIZED TEACHING	XXXXXXXXX	$ ______	XXXXXXXXXX
	SERVICE ON LOANS MADE 07/01/72 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
29	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR MILITARY SERVICE ON	XXXXXXXXX	$ ______	XXXXXXXXXX
	LOANS MADE 07/01/72 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
30	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR VOLUNTEER SERVICE	XXXXXXXXX	$ ______	XXXXXXXXXX
	IN THE PEACE CORPS OR UNDER THE DOMESTIC VOLUNTEER SERVICE ACT OF 1973	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
31	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR LAW ENFORCEMENT	XXXXXXXXX	$ ______	XXXXXXXXXX
	AND CORRECTIONS OFFICER SERVICE	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
32	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR CHILD/FAMILY/EARLY	XXXXXXXXX	$ ______	XXXXXXXXXX
	INTERVENTION SERVICE ON LOANS MADE 07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
33	COST OF LOAN PRINCIPAL AND INTEREST CANCELED FOR NURSE/MEDICAL	XXXXXXXXX	$ ______	XXXXXXXXXX
	TECHNICIAN SERVICE ON LOANS MADE 07/23/92 AND AFTER	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
34	COST OF LOAN PRINCIPAL AND INTEREST CANCELED BECAUSE OF DEATH/DISABILITY	XXXXXXXXX	$ ______	XXXXXXXXXX
35	COST OF LOAN PRINCIPAL AND INTEREST CANCELED BECAUSE OF BANKRUPTCY	XXXXXXXXX	$ ______	XXXXXXXXXX
36	COST OF DEFAULTED LOAN PRINCIPAL AND INTEREST ASSIGNED TO AND	XXXXXXXXX	$ ______	XXXXXXXXXX
	ACCEPTED BY THE UNITED STATES	XXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX
37	OTHER COSTS OR LOSSES	XXXXXXXXX	$ ______	XXXXXXXXXX
38	TOTAL DEBITS AND CREDITS (SUM OF LINES 1 THROUGH 37)	XXXXXXXXX	$ ______	$ ______

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FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION: ____________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-__
STATE: __

SECTION 8. FUND ACTIVITY (ANNUAL) DURING THE 1994-95 AWARD YEAR (JULY 1,1994 THROUGH JUNE 30,1995)

AMOUNT

1. FINAL ADJUSTED FEDERAL CAPITAL CONTRIBUTION (FCC) AUTHORIZATION — / / DATE OF ADJ — $ ______

2. FCC TRANSFERRED TO:
   a. FSEOG $ ______
   b. FWS $ ______

3. AMOUNT OF ADJUSTED AUTHORIZED FEDERAL CAPITAL CONTRIBUTION FOR AWARD YEAR 1994-95 NOT REQUESTED FROM ED/PMS BY JUNE 30,1995 (YOUR AWARD WILL BE REDUCED BY THIS AMOUNT NEXT SPRING. SEE INSTRUCTIONS) $ ______

4. INSTITUTIONAL CAPITAL CONTRIBUTION (ICC) DEPOSITED INTO THE LOAN FUND BETWEEN JULY 1, 1994 AND JUNE 30, 1995. $ ______

5. LOANS ADVANCED TO STUDENTS FROM THE LOAN FUND DURING THE 1994-95 AWARD YEAR (MINUS 1994-95 AWARD YEAR REFUNDS) $ ______

6. ADMINISTRATIVE COST ALLOWANCE CLAIMED FOR THE 1994-95 AWARD YEAR (SEE INSTRUCTIONS) $ ______

	NUMBER OF BORROWERS (A)	AMOUNT (B)
7. TOTAL PRINCIPAL AND INTEREST REPAID BY BORROWERS FROM ALL SOURCES DURING THE 1994-95 AWARD YEAR	______	$ ______

8. NAME AND ADDRESS OF BILLING AGENT(S)

____
____
____
______________ __ ____

9. IF YOUR INSTITUTION HAS A LOAN OFFICER RESPONSIBLE FOR ADMINISTERING FEDERAL PERKINS LOAN PROGRAM COLLECTIONS (OTHER THAN THE FINANCIAL AID ADMINISTRATOR OR CHIEF FISCAL OFFICER IDENTIFIED IN PART I, SECTION 8), PROVIDE THE FOLLOWING INFORMATION:

NAME: ______________
TITLE: ______________
TELEPHONE NUMBER: (__) __-__
(INCLUDING AREA CODE)

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FISCAL OPERATIONS REPORT, PART III
NAME OF INSTITUTION: ____________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-__
STATE: __

SECTION C - CUMULATIVE REPAYMENT INFORMATION AS OF JUNE 30, 1995

STATUS OF BORROWERS AS OF JUNE 30, 1995 (A)	NUMBER OF BORROWERS (B)	AMOUNT LENT (C)	PRINCIPAL AMOUNT OUTSTANDING (D)
1. BORROWERS WHOSE LOANS ARE FULLY RETIRED	____	____	XXXXXXXXXXX
2. BORROWERS WHOSE DEFAULTED NOTES WERE ASSIGNED AND OFFICIALLY ACCEPTED BY THE DEPARTMENT OF EDUCATION AS OF JUNE 30, 1995	____ XXXXXXXXX XXXXXXXXX	____ XXXXXXXXXXX XXXXXXXXXXX	____ XXXXXXXXXXX XXXXXXXXXXX
3 TOTAL BORROWERS NOT IN REPAYMENT STATUS	____	XXXXXXXXXXX	____
4. BORROWERS ON SCHEDULE IN REPAYMENT STATUS	____	XXXXXXXXXXX	____
5.1 IN DEFAULT LESS THAN 240 DAYS (MONTHLY INSTALLMENTS) OR LESS THAN 270 DAYS (OTHER INSTALLMENTS)	____ XXXXXXXXX	____ XXXXXXXXXXX	____ XXXXXXXXXXX
5.2 IN DEFAULT 240 DAYS OR MORE (MONTHLY INSTALLMENTS) OR 270 DAYS OR MORE (OTHER INSTALLMENTS)	____ XXXXXXXXX	____ XXXXXXXXXXX	____ XXXXXXXXXXX

SECTION D - COHORT DEFAULT RATE

INSTITUTIONS WITH 30 OR MORE BORROWERS WHO ENTERED REPAYMENT IN THE 1993-94 AWARD YEAR:

1.1 NUMBER OF BORROWERS WHO ENTERED REPAYMENT IN 1993-94 ____

1.2 ENTER THE NUMBER OF BORROWERS IN ITEM 1.1 ABOVE WITH LOANS IN DEFAULT ON JUNE 30, 1995 ____

1.3 COHORT DEFAULT RATE (ITEM 1.2 / ITEM 1.1 * 100) ____

INSTITUTIONS WITH LESS THAN 30 BORROWERS WHO ENTERED REPAYMENT IN THE 1993-94 AWARD YEAR:

2.1 NUMBER OF BORROWERS WHO ENTERED REPAYMENT IN:		2.2 NUMBER OF BORROWERS WITH LOANS IN DEFAULT ON:	
(a) 1991-92 (07/01/91 - 06/30/92)	____	(a) JUNE 30, 1993 (THOSE IN 2.1(a) ONLY)	____
(b) 1992-93 (07/01/92 - 06/30/93)	____	(b) JUNE 30, 1994 (THOSE IN 2.1(b) ONLY)	____
(c) 1993-94 (07/01/93 - 06/30/94)	____	(c) JUNE 30, 1995 (THOSE IN 2.1(c) ONLY)	____

2.3 TOTAL NUMBER OF BORROWERS WHO ENTERED REPAYMENT DURING THE THREE YEARS (2.1(a) + 2.1(b) + 2.1(c)) ____

2.4 TOTAL NUMBER OF BORROWERS WITH LOANS IN DEFAULT (2.2(a) + 2.2(b) + 2.2(c)) ____

2.5 COHORT DEFAULT RATE (ITEM 2.4 / 2.3 * 100) ____

2 3

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FISCAL OPERATIONS REPORT, PART IV
NAME OF INSTITUTION: ________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-__
STATE: __

PART IV. FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (FSEOG) PROGRAM
FOR AWARD YEAR JULY 1,1994 THROUGH JUNE 30,1995

SECTION A. FEDERAL FUNDS AUTHORIZED FOR FSEOG

1. FINAL ADJUSTED FSEOG AUTHORIZATION / / (DATE OF ADJ) $ ________

SECTION B. FEDERAL FUNDS AVAILABLE FOR FSEOG EXPENDITURES

2. FWS FUNDS TRANSFERRED TO AND SPENT IN FSEOG + $ ________

3. FEDERAL PERKINS FCC FUNDS TRANSFERRED TO AND SPENT IN FSEOG + $ ________

4. FEDERAL FUNDS AVAILABLE FOR FSEOG (LINES 1 + 2 + 3) $ ________

SECTION C. FUNDS TO FSEOG RECIPIENTS

5. TOTAL FUNDS TO FSEOG RECIPIENTS (LINES 6 + 7) $ ________

6. NON-FEDERAL SHARE OF FUNDS TO FSEOG RECIPIENTS (25% OF LINE 5) $ ________

SECTION D. FEDERAL FUNDS SPENT FOR FSEOG PROGRAM

7. FEDERAL SHARE OF FUNDS TO FSEOG RECIPIENTS (75% OF LINE 5) $ ________

8. ADMINISTRATIVE COST ALLOWANCE CLAIMED + $ ________

9. FEDERAL FUNDS SPENT FOR FSEOG (LINES 7 + 8) $ ________

SECTION E. USE OF FEDERAL FSEOG AUTHORIZATION

10. EXPENDED FSEOG AUTHORIZATION (LINE 9 - LINE 2 - LINE 3) $ ________

11. UNEXPENDED FSEOG AUTHORIZATION (LINE 1 - LINE 10) (CANNOT BE NEGATIVE) $ ________

SECTION F. MISCELLANEOUS INFORMATION

12. PRIOR YEAR RECOVERIES $ ________

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FISCAL OPERATIONS REPORT, PART V
NAME OF INSTITUTION: ______________________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-___-__
STATE: __

PART V. FEDERAL WORK-STUDY (FWS) PROGRAM
FOR AWARD YEAR JULY 1, 1994 THROUGH JUNE 30, 1995

SECTION A. FEDERAL FUNDS AUTHORIZED FOR FWS

1. FINAL ADJUSTED FWS AUTHORIZATION / / (DATE OF ADJ) $ ______

SECTION B. FEDERAL FUNDS AVAILABLE FOR FWS EXPENDITURES

2. FEDERAL PERKINS FCC FUNDS TRANSFERRED TO AND SPENT IN FWS + $ ______
3. FWS FUNDS TRANSFERRED TO AND SPENT IN FSEOG - $ ______
4. 1995-96 FUNDS CARRIED BACK AND SPENT IN 1994-95 + $ ______
5. ADDITIONAL 1995-96 FUNDS CARRIED BACK AND SPENT FOR 1995 SUMMER EMPLOYMENT + $ ______
6. 1993-94 FUNDS CARRIED FORWARD AND SPENT IN 1994-95 + $ ______
7. 1994-95 FUNDS CARRIED FORWARD TO BE SPENT IN 1995-96 - $ ______
8. 1994-95 FUNDS CARRIED BACK AND SPENT IN 1993-94 - $ ______
9. ADDITIONAL 1994-95 FUNDS CARRIED BACK AND SPENT FOR 1994 SUMMER EMPLOYMENT - $ ______
10. TOTAL FUNDS AVAILABLE FOR 1994-95 (LINES 1 + 2 - 3 + 4 + 5 + 6 - 7 - 8 - 9) $ ______

SECTION C. TOTAL COMPENSATION FOR FWS

11. TOTAL EARNED COMPENSATION FOR FWS PROGRAM $ ______
 a. ON-CAMPUS EXPENDITURES $______
 b. OFF-CAMPUS EXPENDITURES AT PUBLIC OR PRIVATE NON-PROFIT AGENCIES $______
 c. OFF-CAMPUS EXPENDITURES IN THE PRIVATE (FOR PROFIT) SECTOR $______
12. TOTAL INSTITUTIONAL SHARE OF EARNED COMPENSATION (SEE INSTRUCTIONS) $ ______

SECTION D. FUNDS SPENT FROM FEDERAL SHARE OF FWS

13. TOTAL FEDERAL SHARE OF FWS EARNED COMPENSATION $ ______
 a. COMPENSATION AT FEDERAL SHARE NOT TO EXCEED 75% $ ______
 b. OFF-CAMPUS PRIVATE (FOR PROFIT) SECTOR COMPENSATION AT FEDERAL SHARE NOT TO EXCEED 50% $ ______
14. ADMINISTRATIVE COST ALLOWANCE CLAIMED + $ ______
15. FEDERAL SHARE OF JOB LOCATION AND DEVELOPMENT PROGRAM EXPENDITURES + $ ______
16. TOTAL FEDERAL FUNDS SPENT FOR FWS (SUM OF LINES 13 THROUGH 15) $ ______

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FISCAL OPERATIONS REPORT, PART V
NAME OF INSTITUTION: ______________________ SERIAL NUMBER: ___ ENTITY NUMBER: 1-__-__-__-__
STATE: __

SECTION E. USE OF FEDERAL FWS AUTHORIZATION

17. EXPENDED FWS AUTHORIZATION (LINES 3 + 7 + 8 + 9 + 16) MINUS (LINES 2 + 4 + 5 + 6) $ ________

18. UNEXPENDED FWS AUTHORIZATION (LINE 1 - LINE 17) $ ________

SECTION F. MISCELLANEOUS INFORMATION

19. PRIOR YEAR RECOVERIES $ ________

SECTION G. INFORMATION ABOUT THE JOB LOCATION AND DEVELOPMENT PROGRAM

20. TOTAL EXPENDITURES FOR THE JOB LOCATION AND DEVELOPMENT PROGRAM $ ________

21. INSTITUTIONAL EXPENDITURES FOR THE JLD PROGRAM (SEE INSTRUCTIONS) $ ________

22. NUMBER OF STUDENTS FOR WHOM JOBS WERE LOCATED OR DEVELOPED ________

23. TOTAL EARNINGS OF THE STUDENTS IN LINE 22 ABOVE $ ________

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FISCAL OPERATIONS REPORT, PART VI
NAME OF INSTITUTION: ______________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-____-__
STATE: __

PART VI. PROGRAM SUMMARY FOR AWARD YEAR JULY 1, 1994 THROUGH JUNE 30, 1995

SECTION A. DISTRIBUTION OF PROGRAM RECIPIENTS AND EXPENDITURES BY TYPE OF STUDENT

TAXABLE & UNTAXED INCOME CATEGORY/ STUDENT TYPE	FEDERAL PERKINS LOAN (A) RECIPIENTS	(B) FUNDS	F S E O G (C) RECIPIENTS	(D) FUNDS	F W S (E) RECIPIENTS	(F) FUNDS	SUMMARY (G) RECIPIENTS
UNDERGRADUATE DEPENDENT							
1. $ 0 - $ 5,999	______	______	______	______	______	______	______
2. $ 6,000 - $11,999	______	______	______	______	______	______	______
3. $12,000 - $23,999	______	______	______	______	______	______	______
4. $24,000 - $29,999	______	______	______	______	______	______	______
5. $30,000 - $41,999	______	______	______	______	______	______	______
6. $42,000 - $59,999	______	______	______	______	______	______	______
7. $60,000 AND OVER	______	______	______	______	______	______	______
UNDERGRADUATE INDEPENDENT							
8. $ 0 - $ 1,999	______	______	______	______	______	______	______
9. $ 2,000 - $ 3,999	______	______	______	______	______	______	______
10. $ 4,000 - $ 7,999	______	______	______	______	______	______	______
11. $ 8,000 - $11,999	______	______	______	______	______	______	______
12. $12,000 - $15,999	______	______	______	______	______	______	______
13. $16,000 - $19,999	______	______	______	______	______	______	______
14. $20,000 AND OVER	______	______	______	______	______	______	______
15. GRADUATE/PROFESSIONAL	______	______	DOES NOT APPLY	DOES NOT APPLY	______	______	______
16. T O T A L	______	______	______	______	______	______	______
17. TOTAL LESS THAN FULL TIME STUDENTS	______	______	______	______	______	______	______

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FISCAL OPERATIONS REPORT, PART VI
NAME OF INSTITUTION: ____________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-__-__
STATE: __

Administrative Cost Allowance Worksheet (Worksheet must be retained for audit and program reviews)

Section B. Calculating the Administrative Cost Allowance

STEP 1 Calculate the amount spent in 1994-95 on which the Administrative Cost Allowance is based:

1. Total compensation in FWS (amount from Part V, Section C, line 11) $ ______
2. Amount of Federal Perkins Loan funds advanced to students (amount from Part III, Section B, line 5) + $ ______
3. Total funds to FSEOG recipients (amount from Part IV, Section C, line 5) + $ ______
4. TOTAL Amount Spent (lines 1 + 2 + 3) $ ______

STEP 2 Calculate the Administrative Cost Allowance (Complete only ONE subsection):

Institutions whose total amount spent was $2,750,000 OR LESS

5. Enter total amount spent (line 4) $ ______
6. Multiply x .05
7. TOTAL Administrative Cost Allowance $ ______
   (GO TO STEP 3)

Institutions whose total amount spent was MORE THAN $2,750,000 but LESS THAN $5,500,000

8. Enter total amount spent (line 4) $ ______
9. Subtract - $ 2750000
10. Expenditures over $2,750,000 (line 8 - line 9) $ ______
11. Multiply x 0.[illegible]
12. Administrative Cost Allowance on expenditures over $2,750,000 (line 10 x line 11) $ ______
13. Add Administrative Cost Allowance on expenditures of $2,750,000 + $ 137500
14. TOTAL Administrative Cost Allowance (line 12 + line 13) $ ______
    (GO TO STEP 3)

Institutions whose total amount spent was $5,500,000 OR MORE

15. Enter total amount spent (line 4) $ ______
16. Subtract - $ 5500000
17. Expenditures over $5,500,000 (line 15 - line 16) $ ______
18. Multiply x 0.03
19. Administrative Cost Allowance on expenditures over $5,500,000 (line 17 x line 18) $ ______
20. Add Administrative Cost Allowance on expenditures of $5,500,000 + $ 247500
21. TOTAL Administrative Cost Allowance (line 19 + line 20) $ ______
    (GO TO STEP 3)

STEP 3 Decide how much Administrative Cost Allowance the institution claimed:

22. How much Administrative Cost did the institution claim $ ______
    (The amount may be the same or less than the amount calculated in Step 2)

23. How much Administrative Cost did the institution claim in each program ?

    a. Federal Perkins Loan (must be same as Part III, Sect. B, line 6) $ ______
    b. FSEOG (must be the same as Part IV, Section D, line 8) $ ______
    c. FWS (must be the same as Part V, Section D, line 14) $ ______

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FISCAL OPERATIONS REPORT
NAME OF INSTITUTION: ______________________ SERIAL NUMBER: ____ ENTITY NUMBER: 1-__-__-____-__
STATE: __

ADDITIONAL INFORMATION PAGE FOR AWARD YEAR JULY 1, 1996 THROUGH JUNE 30, 1997

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PMS 272

FEDERAL CASH TRANSACTIONS REPORT
STATUS OF FEDERAL CASH

PAGE 1
OMB NO. 1880-0172
(APPROVAL THROUGH 07/31/88)

US 11 US11X 1111

SAMPLE COLLEGE
1600 MAIN STREET
ANYTOWN MD 208529999
PIN: 9999 PAN: 9999G EIN 9999999999A9
ACH-PAY REGION: 05 STATE: MD

PERIOD COVERED BY THIS REPORT.
04/01/95 - 06/30/95
USER CODE: F01
GENERAL ACCOUNT

1	CASH ON HAND BEGINNING OF REPORTING PERIOD		$ 0
2.	TOTAL RECEIPTS (SEE STATEMENT OF CASH ACCOUNTABILITY FOR DETAILS)	+	21,143,00
3	TOTAL CASH AVAILABLE		$ 21,143,00
4	NET DISBURSEMENTS (FROM PMS 272-A)	-	
5	ADJUSTMENTS OF PRIOR PERIODS (SEE STATEMENT OF CASH ACCOUNTABILITY FOR DETAILS)	+	0
6	CASH ON HAND END OF PERIOD (line 3, less line 4, plus or minus line 5)		$

7. THE AMOUNT SHOWN ON LINE 6, ABOVE, REPRESENTS CASH REQUIREMENTS FOR THE ENSUING ______ DAYS (NUMBER)

OTHER INFORMATION

8	INTEREST INCOME	$
9	ADVANCES TO SUBGRANTEES OR SUBCONTRACTORS	$

AUTHORIZED CERTIFYING OFFICIAL

I CERTIFY TO THE BEST OF MY KNOWLEDGE AND BELIEF THAT THIS REPORT IS TRUE IN ALL RESPECTS AND THAT ALL DISBURSEMENTS HAVE BEEN MADE FOR THE PURPOSE AND CONDITIONS OF THE GRANT OR AGREEMENT

SIGNATURE ______________________ DATE REPORT SUBMITTED ______________

TYPED OR PRINTED NAME AND TITLE ______________________________

TELEPHONE (Area Code) ______ (Number) ______________ (Extension) _____

* * * * * * * * * * * * * * * * * *

The PMS contact point who is responsible for your account is
VIVAN BOOTH, or staff at: (202) 401-1237,
account representative code: 65
RETURN THE COMPLETED REPORT TO:
DEPARTMENT OF EDUCATION
FINANCIAL SERVICES
FINANCIAL PAYMENTS GROUP
CUSTOMER ASSISTANCE/ACCOUNTABILITY GROUP
600 INDEPENDENCE AVENUE, S W.
WASHINGTON, DC 20202-4331

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PMS 272-A

FEDERAL CASH TRANSACTION REPORT

PAGE 2
ED - PMS

SAMPLE COLLEGE
PIN. 9999 EIN. 9999999999A9
ACH-PAY REGION. 05 STATE MD

PERIOD COVERED BY THIS REPORT:
04/01/95 - 06/30/95
GENERAL ACCOUNT

REPORT "LINE" "ITEM"	FEDERAL GRANT OR OTHER IDENTIFICATION (a)		RECIP A/C OR OTHER ID NO (b)		AUTHORIZED AMOUNT (c)	FEDERAL SHARE OF NET DISBURSEMENTS CUM THRU 03/31/95 (d)	CUM THRU 06/30/95 (e)
0001	E-P007A29999		----------------		5,568.00	5,250 00	----------------
0002	E-P033A29999		----------------		[illegible],113.00	1,038.00	----------------
0003	E-P038A29999		----------------		16,750.00	0.00	----------------
AWARD CHG	P063P29999	ON 04/10/95	$	10,249.00			
AWARD CHG:	P063P29999	ON 05/05/95	$	6,500.00			
	SUB-TOTAL				27,431.00	6,288.00	

PLEASE ENTER DOCUMENTS MISSING FROM ABOVE (COPY OF AWARD DOCUMENT MUST BE ATTACHED):

----------------	----------------	----------------	----------------	----------------
----------------	----------------	----------------	----------------	----------------
TOTALS			----------------	----------------

NET DISURSEMENTS (column e minus column d) MUST CORRESPOND
WITH AMOUNT SHOWN ON PMS 272 LINE 4 ----------------

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PMS 272-B

STATEMENT OF CASH ACCOUNTABILITY

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ED - PMS

SAMPLE COLLEGE
PIN: 9999 EIN: 9999999999A9
ACH-PAY REGION: 05 STATE: MD

PERIOD COVERED BY THIS REPORT:
04/01/95 - 06/30/95
GENERAL ACCOUNT

	TOTAL CASH ** ACCOUNTABILITY **	******* REPORTED ACTIVE	DISBURSEMENTS INACTIVE *******	CASH AVAILABLE ** FOR THE PERIOD **
PMS TOTAL AS OF 04/01/95	$ 63,534.00	$ 0.00	$ 57,246.00	$ 6,288.00
NET DISBURSEMENTS REPORTED FOR THE PERIOD ENDING 03/31/95	.00	6,288.00		(6,288.00)
CASH ON HAND BEGINNING OF REPORTING PERIOD	$ 63,534.00	$ 6,288.00	$ 57,246.00	$ 0.00

DOCUMENT ACTIVITY

A DOCUMENT G NUMBER	TRANSACTION DESCRIPTION	****ADJ. OF**** PRIOR PERIODS	CASH ** ACCOUNTABILITY **	******* REPORTED ACTIVE	DISBURSEMENTS INACTIVE *******	
E-P033A09999	CLOSED	0.00	(5,520.00)	0.00	(5,520.00)	
E-P033A09999	CLOSED	0.00	(5,082.00)	0.00	(5,082.00)	
E-P033A09999	CLOSED	0.00	(18,700.00)	0.00	(18,700.00)	
TOTAL ADJUSTMENTS PRIOR PERIODS		0.00				0.00
ADJUSTED REPORTED DISB AS OF 04/01/95			(29,302.00)	6,288.00	27,944.00	

ADVANCES TO PAYEE DURING THIS PERIOD:

LINE	PAID DT	SCHED	VOU	CFDA	DESCRP	AMOUNT	
0004	04/10/95	000000	00000			1,494.00	(ACH PAY - 0952415)
0005	04/13/95	000000	00000			10,250.00	(ACH PAY - 1014654)
0006	05/02/95	000000	00000			1,575.00	(ACH PAY - 1171986)
0007	05/31/95	000000	00000			6,500.00	(ACH PAY - 1463870)
0008	06/08/95	000000	00000			1,324.00	(ACH PAY - 1577135)

	TOTAL CASH ACCOUNTABILITY	REPORTED ACTIVE	DISBURSEMENTS INACTIVE	CASH AVAILABLE FOR THE PERIOD
TOTAL RECEIPTS (SEE LINE 2 OF PMS 272):	21,143.00			21,143.00
TOTAL CASH ACCOUNTABILITY AS OF 06/30/95	$ 55,375.00	$ 16,288.00	$ 27,944.00	$ 21,143.00

PLEASE ENTER ADVANCES RECEIVED PRIOR TO 07/01/95 MISSING FROM ABOVE:

------ ---- $__________ PAYMENT TYPE (CIRCLE ONE): LOC-FRB LOC-TFCS TREASURY-CHECK WIRE-PAYMENT ACH

------ ---- $__________ PAYMENT TYPE (CIRCLE ONE): LOC-FRB LOC-TFCS THEASURY-CHECK WIRE-PAYMENT ACH

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PMS 272-F

AUTHORIZATIONS FOR FUTURE PERIODS

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ED - PMS

SAMPLE COLLEGE
PIN 9999 EIN: 9999999999A9
ACH-PAY REGION: 05 STATE: MD

AUTHORIZATION BEGIN DATE RANGE
09/01/95 - 09/01/95
GENERAL ACCOUNT

FEDERAL GRANT OR OTHER IDENTIFICATION	FISCAL YEAR/CAN/ OBJECT CLASS	INCREMENTAL AMOUNT	CUMULATIVE AMOUNT	BEGIN DATE
E-P0007A5999		24,750	38,693	04/01/95

NOTICE TO RECIPIENT: The PMS 272-F is for your information only and represents all ED awards posted in the Payment Management System (PMS) that have begin dates past the ending period for this report (i.e. 06/30/95). The incremental authorization amounts for the above awards will become available on the BEGIN dates indicated beside each award.

301 302

PMS 272-G

INACTIVE DOCUMENTS REPORT

SAMPLE COLLEGE
PIN: 9999 EIN: 9999999999A9
ACH-PAY REGION: 05 STATE: MD

GENERAL ACCOUNT

FEDERAL GRANT OR OTHER IDENTIFICATION	AUTHORIZATION AMOUNT	DISBURSEMENT AMOUNT	PROPOSED REDUCTION OF CASH AVAILABLE	ALERT STATUS	PROPOSED CLOSING DATE
E-P007A09999	5,552.00	5,552.00	0.00		06/30/96
E-P007A19999	5,092.00	5,092.00	0.00		06/30/96
E-P033A09999	17,300.00	17,300.00	0.00		06/30/96
	27,944.00	27,944.00	0.00		

NOTICE TO RECIPIENT: The PMS 272-G is for your information and action. It represents all ED awards posted in the Payment Management System PMS) that have become inactive during the current period or during a prior period. If you disagree with the authorization or disbursement amount, contact Financial Management Service (FMS) for assistance.

The amount in column 4 shows the difference between your latest authorization and the cumulative amount you reported as disbursed. Unless a new cumulative disbursement is reported, we will reduce cash available to you by this amount.

Status 1 -- Document is scheduled for closing in 6 months. Final adjustments to disbursements must be made before 09/15/95. If you experience problems, call your ED account service representative (see page 1).

Status 2 -- Document is scheduled for closing in 3 months. Authorizations have been reduced to the level of cumulative disbursements. Additional disbursements cannot be reported against this document. If reinstatement is required, please send a written request for reinstatement to your authorizing program office.

Status 3 -- Document closing in process, pending ED final review.

Status 4 -- Document either in status 2 or 3 for your IMMEDIATE attention.

Appendix A: Glossary

Academic Year (AY) A time period of at least 30 instructional weeks in which a full-time undergraduate student is expected to complete:

- 24 semester or trimester hours or 36 quarter hours at an institution using credit hours in an educational program whose length is measured in credit hours, *or*
- at least 900 clock hours at an institution using clock hours.

However, there is an exception for those schools with at least a 2-year or 4-year academic program with an associate or bachelor's degree. Those schools may request, in writing, that ED reduce the minimum period of instructional time of the academic year for any of its programs as long as they are at least 26 weeks in length.

Accepted with Assumptions A category of Federal Pell Grant Processed Payment data that was found to be inaccurate but for which the Pell Grant Recipient and Financial Management System (PGRFMS) made certain assumptions during processing. A school must review the records carefully and resubmit them if corrections are necessary.

Accepted Without Change or Assumptions A category of Federal Pell Grant processed payment data returned to a school by the Pell Grant Recipient and Financial Management System (PGRFMS) that the school must keep on file. A school should not resubmit these records to the CPS unless the award-year data changes.

Accounting for Restricted Funds for Limited Purposes A restricted fund made up of a self-balancing group of accounts: assets, liabilities, capital (fund balance), revenues, and expenses. It is important to note that individual funds are separated completely from one another and from the general fund of the institution and are self-balancing. That is, the debit balances of the debit accounts within the fund equal the credit balances of the credit accounts within the fund. This ensures the integrity of individual funds and provides control over fund expenditures. "Restricted" means that the use of the funds has been restricted to some specific activity by donors and/or other external parties.

Accounting Period A time period for which financial records are maintained and at the end of which financial statements are prepared. See *Financial Statement.*

Accrual Basis The type of accounting under which incomes are recorded when earned (regardless of when cash is actually received) and expenses are recorded when liabilities are incurred (regardless of when cash is actually expended).

Accrued Salaries Wages earned by students between the date that the students were last paid and the end of the accounting period being reported, but not yet paid to the students. The unpaid student wages are considered a school liability.

ACH and ACH/EFT See *Automated Clearinghouse (ACH).*

Acid-Test Ratio A factor of financial responsibility required for both nonprofit and profit institutions. These schools must maintain a one-to-one ratio of cash and current receivables to current liabilities.

Adjusting Entry A journal entry made for purposes of correcting an error (such as a transfer of an amount from one account) or recording an accrual (such as earned, but unpaid, student payroll at the end of an accounting period).

Administrative Capability A requirement an institution must meet to participate in Title IV student aid programs. Administrative capability covers specific areas in the management of an institution. These areas include:

- establishing and maintaining student records and financial records,
- submitting required ED reports,
- designating a capable Title IV aid administrator at an institution,
- writing procedures for school offices involved with Title IV programs,
- communicating to the financial aid administrator all information received by any school office that might affect a student's Title IV aid eligibility,
- dividing the functions of authorizing payments and disbursing funds, *and*
- employing an adequate number of qualified staff.

Administrative Cost Allowance (ACA) A dollar figure the federal government allots an institution to offset the cost of administering a Title IV program.

Administrative Offset An offset assessed by ED against a Title IV aid school to collect program review, audit, and formal fine debts. ED will withhold a portion of a school's ED/PMS payments and apply them toward the school's debt.

Agency Funds The conduit or clearing house funds established to account for assets (usually cash) received for, and paid to, other funds, individuals, or organizations. Externally designated scholarship funds are an example of agency funds. Because assets received this way are held briefly, to be disposed of at the direction of others, only asset and liability accounts are needed in such a relationship.

Allocation A specific sum of money awarded for an institution to use during a specific period. Campus-based funds (Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan) are allocated to an institution on an award-year basis. Allocation may also be referred to as obligation, award authorization, grant authorization, or Document Number. See *Deobligation* and *Supplemental Appropriation.*

Allocation Order A priority list, established by ED, that states the order in which refunds are to be made to federal financial aid program accounts if a student withdraws, drops below half-time status, is expelled, or drops out during the refund period. By law, refunds must be allocated to Title IV programs in specified order, as follows:

1. Federal Family Education Loan (FFEL) Program,
2. Federal Direct Loan Program,
3. Federal Perkins Loan Program,
4. Federal Pell Grant Program,
5. Federal Supplemental Educational Opportunity Grant (FSEOG) Program, *and*
6. All other Title IV programs.

Prior to the 1994-95 award year, the order in which federal funds were refunded was determined by each school in its refund allocation policy. See *Refund* and *Refund Policy*.

Appropriation At the federal level, a Congressional legislative act allocating a specific amount of public funds to be spent for a specific purpose during a fiscal or award year. The dollar amount appropriated may be equal to or less than (but not more than) the total amount permissible under the authorizing statute. An appropriation bill originates in the House of Representatives. General appropriation acts are supposed to be approved by both houses of Congress by the seventh day after Labor Day before the start of the fiscal year to which they apply. Continuing resolutions allocate funds for expenditures when the appropriations bill for the new fiscal year has not been enacted. See *Continuing Resolution* and *Supplemental Appropriation*.

Assets Owned property that must be reported on a student financial aid application. These are financial holdings such as cash on hand in checking and savings accounts, trusts, stocks, bonds, other securities, loan receivables, real estate (excluding the home), business equipment, and business inventory.

Assignment A school's transfer of a defaulted National Defense Student Loan, National Direct Student Loan, or Federal Perkins Loan to ED for collection. Once ED accepts a loan, it acquires all rights, title, and interest on the assigned loan. In certain cases, guaranty agencies also assign defaulted loans under the FFEL Program to ED.

Audit An independent examination of a school's financial transactions, accounts, reports, and compliance with applicable laws and regulations to determine whether the institution is maintaining effective control over revenues, expenditures, assets, and liabilities; whether the institution is properly accounting for resources, liabilities, and operations; whether financial reports contain accurate, reliable, and useful financial information and are accurately presented; and whether the institution is complying with applicable laws, regulations, and ED directives. A financial audit also studies and evaluates the institution's internal accounting and administrative controls, as well as the policies, procedures, and practices used in administering student financial assistance programs. See *Independent Audit.*

Audit Exceptions School actions found through an audit that are not in compliance with federal guidelines.

Audit Guide A federal reference manual designed to assist independent auditors performing audits of Title IV student financial aid programs.

Audit Report A report prepared by ED after a federal audit is performed. In a nonfederal audit, an audit report is a report prepared by an auditor or audit firm according to the guidelines provided in the *Audit Guide* and ED's Dear Colleague Letter GEN-92-17 (Non-Federal Technical Bulletin 92-1) *or* according to OMB Circulars A-128 or A-133. See *Federal Audit.*

Audit Trail A clear (easily followed) trail that is provided by maintaining required documentation to support each school transaction that deals with receiving and expending federal funds.

Authorization (Legislative) At the federal level, a Congressional legislative act that establishes a program, specifies its general purpose and conduct, and unless open-ended, sets a ceiling for the dollar amount that can be used to finance it. An authorization must be enacted before dollar amounts can be appropriated for program spending.

Authorization (Spending) The approved expenditure level for a program for an award year. Each award year, ED notifies each participating institution of its authorized levels of expenditures for the Federal Pell Grant and Federal Perkins Loan Programs. See *Official Notice of Funding* and *Statement of Account (SOA).*

Automated Clearinghouse (ACH) A nationwide, electronic financial network providing a paperless, efficient means of making payments by electronically transmitting debits and credits through the Federal Reserve Communications System.

ACH payments offer a wide range of applications, including direct deposit and preauthorized debits. Also referred to as Automated Clearinghouse/Electronic Funds Transfer (ACH/EFT).

Automated FEDWIRE System A new process that allows schools receiving funds by FEDWIRE to place payment requests via PC directly into the ED/PMS. This system provides payments to be made the same day, be made the next day, or warehouses a payment request for up to 30 days. See *FEDWIRE.*

Automated Suspension of Funds The automated decrease of an allocation (authorization amount) listed on a quarterly report or MEERS (monthly report) to the expenditure amount (disbursement amount) listed on that report. This decrease occurs when an inactive award (allocation) is closed (refer to "Status of Award" on pages 59-60 of the Glossary in the *Recipient's Guide* for the Department of Education Payment Management System). As a result, the school must adjust its own expenditure records for that allocation to that disbursement amount.

Automated Voice Response (AVR) An option for placing requests for ACH payments through a service bureau. This request is made via a touch-tone telephone. It represents one of two payment-request modes available to schools. Compare *Operator Assisted Mode.*

Award A specific amount of financial assistance to pay for education costs offered to a student through one or more financial aid programs. Also, the approval of financial assistance to students, as in one function of an institution is to award campus-based financial aid to students who meet all the eligibility criteria.

Award Adjustment or Revision An action by a financial aid office resulting in an increase, decrease, program-source substitution, or cancellation of a student's financial aid award. This may be necessitated by factors such as a change in the student's enrollment status or a change in the financial circumstances of the student's family or the student.

Award Packaging See *Packaging.*

Award Year The time period from July 1 of one year through June 30 of the following year for which financial aid awards are made. The award year differs from the federal fiscal year.

Batch A group of records assembled in a single file that is then transmitted electronically as one unit to ED.

Billing Service A private-sector business organization that services loan accounts (billing and/or receiving) for lenders and schools. A fee is charged for the service.

Bookkeeping Analyzing, classifying, and recording financial transactions in accordance with a preconceived plan to provide a means by which an organization's business may be conducted in an orderly fashion and to establish a basis for reporting the financial condition of an organization and the results of its operation. Two methods of bookkeeping are in use—single entry and double entry. See *Double Entry Bookkeeping* and *Single Entry Bookkeeping.*

Business Office The school office responsible for an institution's financial accounting, including Title IV aid program activity. The office disburses financial aid award payments to students and student accounts and processes loan checks. At various schools, it is sometimes referred to as the fiscal office, finance office, comptroller's office, bursar's office, treasurer's office, or student accounts office. See *Separation of Functions.*

Robert C. Byrd Honors Scholarship A Title IV financial aid program that makes scholarships available to full-time postsecondary students with exceptional academic ability and promise. Students apply for the merit-based scholarships through their state education agencies. The program was created in 1984 and named to honor Senator Robert C. Byrd.

Campus-Based Programs The term applied to three federal Title IV student aid programs administered on campus by eligible institutions of postsecondary education:

- Federal Perkins Loan Program,
- Federal Work-Study (FWS) Program, *and,*
- Federal Supplemental Educational Opportunity Grant (FSEOG) Program.

See individual program names.

Cancellation (of a loan) This occurs when a borrower meets specific requirements that permit nullifying the borrower's obligation to repay all or a designated portion of principal and interest on a student loan. It may also be referred to as "discharge."

Capitalizing Interest A process in which interest that has accrued but not been paid is added to the loan principal for both the FFEL and Federal Direct Loan Programs. Capitalizing is a consequence of delaying interest payments; it increases the amount of the principal and, consequently, the total amount that must be repaid.

Carry Forward/Carry Back A special provision of the Federal Work-Study (FWS) Program that allows an institution to transfer up to 10 percent of its annual FWS allocation back to the previous award year or forward to the next award year. In addition, as of October 1, 1992, a school may carry back funds from the current award year to pay student wages earned from May 15 through June 30 of the previous award year. See *Federal Work-Study (FWS) Program.*

Cash Advance A transfer of funds from a federal agency (account in the U.S. Treasury through the Federal Reserve Bank) to a school.

Cash Pooling For institutions permitted to do so, depositing federal funds for all of the Title IV aid programs in a single bank account.

Central Processing System (CPS) ED's Central Processing System (CPS) analyzes information from Free Applications for Federal Student Aid (FAFSAs) and calculates Expected Family Contributions (EFCs). A series of edits is used to check the consistency of family-supplied and student-supplied information. Eligibility matches are also conducted with the U.S. Social Security Administration, the U.S. Department of Justice, the U.S. Immigration and Naturalization Service, and the U.S. Selective Service. In addition, each student is checked against ED's own loan-defaulter database. See *National Student Loan Data System (NSLDS).*

Chart of Accounts A list of financial account numbers and account titles arranged in a systematic way to help institutions identify the accounts in their fiscal management system and ledgers. These accounts form the foundation for the school's Title IV reporting process.

Closing The process of preparing, entering, and posting closing entries. A closing entry is a journal entry in which balances in revenue and expense accounts are eliminated at the end of the accounting period (calendar year or fiscal year). Because revenue and expense accounts provide the information for a statement of operations of a given accounting period, it is essential that these accounts have zero balances at the beginning of each new period. Asset, liability, and fund balance accounts are not closed at the end of the accounting period, as their balances carry over to the new period.

***Code of Federal Regulations* (CFR)** The compilation of all federal regulations and procedural rules. Regulations implementing Title IV programs appear as 34 CFR.

Cohort Default Rate For the Federal Perkins Loan and Federal Stafford Loan Programs, the percentage of an institution's current and former students who entered student-loan repayment in a specific fiscal year on loans received for attendance at that institution and who defaulted before the end of the following fiscal year. For any fiscal year in which fewer than 30 students entered repayment, the percentage is determined on the basis of students who entered repayment as described above in any of the three most recent fiscal years and who defaulted before the end of fiscal year immediately following the year they entered repayment. See *Default*.

Collection Agency A business organization that accepts lenders' loan accounts that have become delinquent or are in default and attempts to collect on those accounts. A fee is charged for the service.

Collection Costs Reasonable costs incurred by using a collection agency or commercial skip-trace agency in an attempt to recover delinquent or defaulted student loan funds. See *Collection Agency* and *Skip Tracing*.

College Work-Study Term is obsolete. See *Federal Work-Study (FWS) Program*.

Compliance Audit See *Audit* and *Independent Audit*.

Consolidation Loan A loan originated by the Student Loan Marketing Association (Sallie Mae) or other eligible lenders. The loan can combine multiple student loans made under Title IV programs, the Health Professions Student Loan (HPSL) Program, the Health Education Assistance Loan (HEAL) Program, and the recently included Nursing Student Loan Program (NSLP) into a single loan with one monthly payment. Delinquent or defaulted borrowers may be allowed to establish a repayment schedule through a consolidation loan. Compare *Federal Direct Consolidation Loan*.

Continuing Resolution At the federal level, a Congressional joint agreement between the House and Senate to continue appropriations for specific government agencies (at rates generally determined on the basis of previous fiscal-year appropriation levels) when Congress has not yet enacted an appropriation act for those agencies for the current fiscal year. A continuing resolution must pass both houses of Congress and be signed by the President. See *Appropriation*.

Contra Account The other side of an account. When used in T-account diagrams, the term "contra account" refers to the other part of the entry. For example, if a Cash Control, ED/PMS account is debited, the contra account (the account to be credited) might be Accounts Receivable, ED/PMS. If Cash Control, ED/PMS is credited, the contra account to be debited might be Expended Funds, ED/PMS. See *T-Accounts*.

Control Account A ledger account in which posting occurs simultaneously to a number of identical, similar, or related accounts, usually called subsidiary ledger accounts. When these subsidiary ledger account balances are added together, that total should agree with the balance in the control account. A familiar example is accounts receivable. When several students have receivable balances in subsidiary accounts (an account receivable system) the sum of the balances for all the students agrees with the total in the general ledger, control account.

Corrective Action As a part of any fine, any limitation, suspension, or termination proceeding, or any adverse finding in a report or review, ED may require a post-secondary institution to take corrective action. This action may include making payments to eligible students or repaying any illegally used funds to ED. ED may offset any funds to be repaid against any benefits or claims due to the institution.

Corrective Action Plan (CAP) A written plan an institution submits to ED, as required by an ED official, a hearing official, or the U.S. Secretary of Education. In this plan, the institution explains what reasonable and appropriate steps it will take to remedy any violation(s) of applicable laws, regulations, special arrangements, agreements, or limitations on present or prior financial aid audit or program review findings.

Cost of Attendance (COA) Section 472 of the Higher Education Act sets forth specific statutory parameters for cost of attendance (COA) for Title IV aid programs. A student's cost of attendance includes tuitions and fees, room and board expenses while attending school, allowances for books and supplies, transportation, loan fees (if applicable), dependent-care costs, costs related to a disability, and other miscellaneous expenses. In addition, reasonable costs for a study-abroad program and costs associated with a student's employment as part of a cooperative education program may be included. There are also special rules for less-than-half-time students and correspondence-study students. The cost of attendance is estimated by the school. The cost of attendance is compared to a student's Expected Family Contribution (EFC) to determine the student's need for aid.

Default For Perkins Loans: Failure of a borrower to make a loan-installment payment when due or to meet other terms of a signed promissory note or written repayment agreement.

For FFEL and Direct Loans: Failure to make a loan-installment payment on (a) a loan repayable in monthly installments for 180 days or (b) for FFEL, a loan payable in less frequent installments for 240 days.

There can be serious legal consequences for student-loan defaulters. See *Cohort Default Rate*.

Deferment (of a loan) A period of postponement during which repaying loan principal is suspended as a result of the borrower meeting one or more of a number of deferment requirements established by law. While the borrower does not pay interest on *subsidized* loans during deferment, interest expenses continue to accumulate during deferment of an *unsubsidized* loan. Compare *Forbearance (on a loan)*.

Delivery In the Federal Family Education Loan Program, the process of a school transmitting loan proceeds to a borrower. See *Disbursement*.

Deobligation Action by ED reducing all or part of an institution's allocation for a Title IV program. Deobligation usually results from an institution releasing funds back to the federal government that will not be used during the period for which the funds were allocated. See *Allocation* and *Supplemental Appropriation*.

Department of Education Payment Management System (ED/PMS) A grants financial management information system maintained by ED's Office of the Chief Financial Officer, Accounting and Financial Management Service, Financial Operations Division.

Direct Loan See *Federal Direct Loan Program*.

Disbursement The process by which Title IV program funds are paid to a student or parent borrower. A school may:

- pay a student or parent directly,
    - by check or other means payable to the student and requiring the student's endorsement or certification (or, in the case of a parent borrowing under the Direct Loan Program or FFEL Program, requiring the endorsement or certification of the student's parent);
    - by initiating an electronic funds transfer (EFT) to a bank account designated by the student (or, in the case of a parent borrower, an account designated by the parent); or
    - by dispensing cash to the student for which the school obtains a signed receipt from the student: *or*
- credit a student's account.

See *Delivery*.

Discharge See *Cancellation (of a loan)*.

Distribution Formula A formula that federal regulations specify be used to calculate the amounts of refunds or overpayments (repayments) that must be returned to individual Title IV programs. See *Refund* and *Repayment*.

Double Entry Bookkeeping The method in which each transaction involves a two-way, self-balancing journal entry with equal debit and credit amounts. This entry is then posted from the journal to the correspon-ding ledger accounts involved. See *Bookkeeping*.

Duplicate (Pell Payment Data) A category of processed payment data that represents duplicates of "accepted without change or assumptions" data that an institution has already sent to the Central Processing System (CPS). The data should not be resubmitted unless the award-year data changes. See *Federal Pell Grant Program.*

ED/PMS See *Department of Education Payment Management System (ED/PMS).*

ED/PMS 272 Report See *Quarterly Report.*

Electronic Data Exchange (EDE) An ED software system that enables institutions to transmit, receive, and correct application data, package student awards, and transmit Federal Pell Grant and Direct Loan payment information via a telecommunications network.

Electronic FISAP (Fiscal Operations Report and Application to Participate) A computer-based report on fiscal operations and an application to participate in the upcoming award year that must be submitted by schools that participate in campus-based programs. A school may submit the data using either a personal computer or a mainframe computer. See *FISAP (Fiscal Operations Report and Application to Participate).*

Electronic Funds Transfer (EFT) See *Automated Clearinghouse (ACH).*

Electronic Payment Voucher (EPV) The formatted record of a student's Federal Pell Grant payment data that is transmitted electronically from a school to ED's Pell Grant Recipient and Financial Management System (PGRFMS).

Electronic Processed Payment Voucher (EPPV) The formatted record of a student's processed Federal Pell Grant payment data that is transmitted electronically from ED's PGRFMS to a school.

Electronic Student Aid Report (ESAR) Term is obsolete. See *Institutional Student Information Record (ISIR).*

Eligible Institution A public or private nonprofit institution of higher education, a postsecondary vocational school, or a proprietary institution of higher education that meets all the criteria to participate in Title IV student financial aid programs.

Eligible Student The definition of a student eligible to receive federal financial aid from ED is discussed in detail in *The 1995-96 Federal Student Financial Aid Handbook*, Chapter 2, and Section 668.7 of the Student Assistance General Provisions regulations.

Emergency Action Action taken by ED against an eligible postsecondary institution. This action includes withholding funds from the institution or its students and withdrawing the authority of the institution to obligate federal funds under any or all of the Title IV student aid programs. Emergency action is taken when ED:

- receives information that the institution is violating applicable laws, regulations, special arrangements, agreements, or limitations;
- determines that the likelihood of loss to the federal government outweighs

putting in place limitation, suspension, or termination procedures; *and*

- determines that immediate action is necessary to prevent misuse of federal funds.

See *Limitation, Suspension, or Termination (LS&T)* and *Program Participation Agreement (PPA)*.

Enrollment Period For the Federal Family Education Loan (FFEL) and Federal Direct Loan Programs, the period of time for which a borrower's loan is intended and during which a student is enrolled. For a school that uses academic terms (semester, trimester, or quarter) an enrollment period must coincide with the one or more terms or with an academic year. For a school that does not use academic terms, an enrollment period must coincide with the length of a student's program of study or an academic year. Compare *Payment Period*.

Enrollment Status At those institutions using semesters, trimesters, quarters, or other academic terms and measuring progress in credit hours, enrollment status equals a student's credit-hour course load. At these schools, a full-time undergraduate student enrolls in at least 12 semester hours or 12 quarter hours each term.

At those institutions measuring progress in clock hours, enrollment status equals a student's clock-hour course load. At these schools, a full-time student receives 24 hours of instruction in one week.

At either type of school, student enrollment may be categorized as full-time, three-quarter-time, half-time, or less-than-half-time.

At those institutions using a combination of both credit and clock hours, enrollment status for a full-time student is any combination of credit and clock hours where the sum of the following fractions is equal to or greater than one.

- For a program using a semester, trimester, or quarter system:

$$\frac{\textit{Number of credit hours per term}}{12}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

- For a program not using a semester, trimester, or quarter system:

$$\frac{\textit{Number of semester or trimester hours per academic year}}{24}$$

plus

$$\frac{\textit{Number of quarter hours per academic year}}{36}$$

plus

$$\frac{\textit{Number of clock hours per week}}{24}$$

At non-term institutions, enrollment status for a full-time student is 24 semester hours or 36 quarter hours per academic year or the prorated equivalent for a program of less than one academic year.

Entrance Counseling (for a student borrower) Each institution participating in the Federal Perkins, FFEL, and Federal Direct Loan Programs (excluding PLUS and Direct PLUS loans) must offer loan counseling to first-time student borrowers called "entrance" counseling. The institution must offer this counseling before the delivery of the first disbursement of any of these loans to a borrower at the institution. Entrance counseling covers the borrower's rights and responsibilities, the terms and conditions of the loan, and the consequences of default. Compare *Exit Counseling (for a student borrower).*

However, please note that Direct Loan schools have the option of using an alternative approach. (See CFR 685.304(a)(5).)

Entrance Interview (for a compliance audit) A meeting, prior to the beginning of a financial aid audit, between an auditor and school administrative officials involved in the audit. Operating rules, an agenda, and a schedule for the on-site work are established. A similar interview is conducted by a federal official prior to conducting a program review. See *Audit.* Compare *Exit Interview (for a compliance audit).*

Exit Counseling (for a student borrower) Each institution participating in the Federal Perkins, FFEL, and Federal Direct Loan Programs (excluding PLUS and Direct PLUS loans) must offer loan counseling called "exit " counseling to student borrowers. For Federal Perkins borrowers, the interview must take place before the borrower leaves school. In the case of FFEL and Federal Direct Loan student borrowers, the interview must take place shortly before the borrower ceases at least half-time enrollment. During the interview, the borrower's rights and responsibilities are reviewed, details about handling loan repayment are discussed, and the average indebtedness of the school's borrowers must be disclosed. Borrowers are also required to provide updated personal information such as address, telephone number, employer (if known), and driver's license and state of issuance. See *The 1995-96 Federal Student Financial Aid Handbook,* Chapters 6 and 10, for complete information on loan counseling requirements. Compare *Entrance Counseling (for a student borrower).*

Exit Interview (for a compliance audit) A closing meeting, following completion of a financial aid audit, between an auditor and administrative officials of the school involved in the audit. General audit findings and conclusions that will be included in the audit report are discussed. A similar interview is conducted by a federal official after conducting a program review. See *Audit.* Compare *Entrance Interview (for a compliance audit).*

Expected Family Contribution (EFC) The figure that indicates how much of a family's financial resources should be available to help pay a student's postsecondary education expenses. This figure, determined according to a statutory defined method known as Need Analysis, is used for all students in determining eligibility for most federal Title IV student financial aid.

FAFSA (Free Application for Federal Student Aid) This ED input document is the foundation for all need analysis computations. The application form is completed by the student and family. It gathers data to calculate the Expected Family Contribution (EFC). See *Need Analysis* and *Expected Family Contribution (EFC).*

Federal Audit A financial audit conducted by an office or officer of a federal agency, such as a representative from ED's Office of Inspector General.

Federal Capital Contribution (FCC) The portion of a school's Federal Perkins Loan fund allocated to an institution by the federal government for a specific award year. Compare *Institutional Capital Contribution (ICC).*

Federal Cash Transactions Report: Status of Federal Cash The quarterly or monthly financial report institutions use to report expenditure of funds received from ED. (Direct Loan schools do not use this report.) It is known as the ED/PMS 272 Report, the MEERS report, or the ED/PMS 272 Federal Cash Report. See *Department of Education Payment Management System (ED/PMS), Monthly Electronic Expenditure Reporting System (MEERS),* and *Quarterly Report.*

Federal Direct Consolidation Loan A loan is arranged through ED's Direct Loan Servicing Center. The loan is designed to combine Title IV education loans (including non-Direct loans) into a single loan with one monthly repayment. Borrowers may also consolidate certain student loans from the U. S. Department of Health and Human Services. If borrowers consolidate defaulted loans, a new payment schedule is established. Compare *Consolidation Loan.*

Federal Direct Loan Program (William D. Ford Federal Direct Loan Program) A federal program where the U.S. government provides four types of education loans to student and parent borrowers:

- the Federal Direct Stafford/Ford Loan,
- the Federal Direct Unsubsidized Stafford/Ford Loan,
- the Federal Direct PLUS Loan, and
- the Federal Direct Consolidation Loan.

These are also referred to collectively as Direct Loans.

See individual loan names.

Federal Direct PLUS Loan Parents may borrow from this education loan program on behalf of their dependent children. As one of the Direct Loans, PLUS loans are made directly by the federal government through students' schools. Compare *Federal PLUS Loan.*

Federal Direct Stafford/Ford Loan (subsidized) On the basis of student financial need, this loan program provides federally financed low-interest loans to students who are in undergraduate, graduate, or professional programs. During in-school, grace, and deferment periods, such as when a borrower is in school, the federal government does not charge interest on the loan. See *Federal Direct Unsubsidized Stafford/Ford Loan.* Compare *Federal Stafford Loan (subsidized).*

Federal Direct Unsubsidized Stafford/Ford Loan This loan program provides federally financed, low-interest loans to students who are in undergraduate, graduate, or professional programs. These loans are not based on financial need and are not government subsidized. The borrower may pay the interest charges on the loan on a quarterly basis during in-school, grace, or deferment periods, or may allow the interest to accumulate and be capitalized when repayment begins. See *Capitalizing Interest* and *Federal Direct Stafford/Ford Loan (subsidized)*. Compare *Unsubsidized Federal Stafford Loan*.

Federal Family Education Loan (FFEL) Program Formerly called the Guaranteed Student Loan (GSL) Program, this group of federal education loans was renamed the Federal Family Education Loan (FFEL) Program as part of the 1992 reauthorization of the Higher Education Act (HEA). The FFEL Program is made up of Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS (parent) Loans, and Federal Consolidation Loans. All of these are long-term loans insured by state or private nonprofit guaranty agencies that are reimbursed by the federal government for all or part of the insurance claims paid to lenders. This guaranty replaces the collateral or security usually required with long-term consumer loans.

The Federal Supplemental Loans for Students (SLS) Program, which was once part of the FFEL Program, was eliminated by legislation, effective July 1, 1994.

See individual loan names.

Federal Pell Grant Payment and Disbursement Schedules Charts published annually by the U.S. Secretary of Education that determine the dollar value of student Federal Pell Grant awards on the basis of schools' costs of attendance (COAs) and students' Expected Family Contributions (EFCs).

Federal Pell Grant Program A grant program for undergraduate students who have not completed a first baccalaureate degree. It is designed to financially assist students with need who are the least able to contribute toward their basic education expenses. If students apply, meet all the eligibility criteria, and are enrolled in an eligible program at an eligible institution, they will receive Federal Pell Grants. Formerly, this grant was called the Basic Educational Opportunity Grant (BEOG). In 1982, it was renamed to honor Senator Claiborne Pell; later the word "Federal" was added to its name.

Federal Perkins Loan (FPL) Program This campus-based loan program provides low-interest student loans to undergraduate and graduate students with financial need. Formerly, it was called the National Direct Student Loan (NDSL) Program and the National Defense Student Loan Program. In 1987, it was renamed to honor Congressman Carl D. l erkins; later the word 'Federal" was added to its name. See *Campus-Based Programs*.

Federal PLUS Loan Parents may borrow from this education loan program on behalf of their dependent children. Loans are made by lenders such as banks, credit unions, or savings and loan associations. Compare *Federal Direct PLUS Loan*.

Federal Register The government publication, published each weekday (except federal holidays), that prints regulations, regulatory amendments, notices, and proposed regulatory changes for all federal executive agencies. ED sends reprints of excerpts from the *Federal Register* that pertain to federal student financial aid to all institutions participating in Title IV programs.

Federal Stafford Loan (subsidized) A loan program providing federally subsidized, low-interest loans to students in undergraduate, graduate, or professional programs. Subsidized loans are awarded on the basis of student financial need. The loan formerly was part of the Guaranteed Student Loan (GSL) Program. In 1987, it was renamed to honor Senator Robert T. Stafford; in 1992, the word "Federal" was added to its name. See *Unsubsidized Federal Stafford Loan Program*. Compare *Federal Direct Stafford/Ford Loan (subsidized)*.

Federal Student Financial Aid Handbook An ED publication that explains procedures schools should follow in administering federal student financial aid (SFA) programs. Some of these procedures are required by laws and regulations, while other procedures are necessary for the various reporting systems of each Title IV program.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program A campus-based aid program that provides grant assistance to students with financial need who are in undergraduate programs and have not earned a bachelor's degree or first professional degree. Priority in awarding Federal Supplemental Educational Opportunity Grant (FSEOG) funds is given to students who have exceptional financial need and are Federal Pell Grant recipients. See *Campus-Based Programs*.

Federal Work-Study (FWS) Program A campus-based, federally funded employment program that provides paid jobs for undergraduate or graduate students who need such earnings to meet a portion of their education expenses. Formerly, it was called the College Work-Study Program. See *Campus-Based Programs*.

FEDWIRE This system provides for the electronic transfer of funds (EFT) through the Federal Reserve Communications System (FRCS). This system differs from ACH in that funds are deposited the day the payment is sent through the FRCS directly into a school's deposit account. Financial institutions charge for this type of funds transfer. (There is no charge to a school for ACH transfer.)

The Treasury Department's Financial Communications System (TFCS) Deposit Message Retrieval System (DMRS) uses FEDWIRE for returning funds to ED, including:

- a liability or combination of liabilities totaling $100,000 or more for a prior award year (except for some Federal Perkins Loan liabilities);
- excess cash in, or liquidation of, the Federal Perkins Loan fund; *and*
- ED-proposed or assessed fines of $100,000 or more.

See *Automated FEDWIRE System*. Compare *Automated Clearinghouse (ACH)*.

Final Regulations Federal government operating rules published in the *Federal Register*. Final regulations, which have the force of law, usually take effect 45 days after the date they are published.

However, there are exceptions to the 45-day period because of the Master Calendar of the Higher Education Act (HEA). The master calendar gives specific dates by which federal forms are to be developed and distributed, as well as dates campus-based program funds will be allocated and Federal Pell Grant funds will be authorized for an award year. See *Federal Register* and *Notice of Proposed Rulemaking (NPRM)*.

Financial Aid Transcript (FAT) A document used by institutions to collect data about Title IV aid and other financial aid received by a student at other educational institutions. Institutions must provide completed financial aid transcripts (FATs) at no charge to students and former students.

Financial Need The difference between the student's cost of attendance (COA) at a specific institution and what the student's family is able to pay—the Expected Family Contribution (EFC). See *Cost of Attendance (COA)* and *Expected Family Contribution (EFC)*.

Financial Responsibility An institution must show that is has the financial responsibility to participate in federal Title IV student aid programs. Financial responsibility covers general standards as well as exceptions institutions can meet as alternatives. The standards include those for for-profit, nonprofit, and public institutions and cover the past performance of an institution or persons affiliated with an institution. For further information, refer to Section 668.15 of the Student Assistance General Provisions *Federal Register*, April 29, 1994 or Chapter Two of *The Blue Book*.

Financial Statement A report prepared at the end of a school's fiscal year that provides an overview of the institution's financial activities for that fiscal year. Financial statements are audited by a Certified Public Accountant (C.P.A.) and submitted to the U.S. Department of Education in accordance with applicable regulations.

Fiscal Operations Activities related to managing and completing financial transactions. Funds management, including student accounts, is the primary responsibility of an institution's business office.

FISAP (Fiscal Operations Report and Application to Participate) See *Campus-Based Programs* and *Electronic FISAP*.

Floppy Disk Data Exchange (FDDE) An automated system by which institutions can submit Federal Pell Grant payment data on IBM-compatible computer diskettes to ED. ED provides a database management system to each FDDE participant. ED will return payment data on diskette.

Forbearance (on a loan) When an FFEL lender (or the U.S. Department of Education for Direct Loans) allows a *temporary* cessation of payments or reduction of payment amounts for subsidized or unsubsidized Federal Stafford, Federal PLUS, Federal Perkins, or Federal Direct

Loans. In doing so, it allows an extended period for making payments or accepts smaller payments than were previously scheduled. Forbearance may be given for circumstances that are not covered by deferment. Interest expenses continue to accrue during forbearance. Forbearance is an option of the FFEL lender or ED. However, there are a few circumstances where forbearance is mandatory with FFEL borrowers. See CFR 682.211(i) and CFR 682.211(j). Compare *Deferment (of a loan).*

Form PMS 270 See Payment Reimbursement Method.

Free Application for Federal Student Aid See *FAFSA*.

Fund A self-balancing group of accounts that consists of:

- assets,
- liabilities,
- revenues,
- expenses, *and*
- fund balance.

Funds separated in an institution's books are limited to specific uses and are accounted for using a double entry bookkeeping system.

General Electronic Support (GES) The Department of Education's electronic data transmission network.

Gift Aid Financial aid that a student is not required to repay or earn through employment. Generally, gift aid is in the form of a grant or scholarship. Compare *Self-Help Aid.*

Grace Period The time period that begins the day after a loan recipient ceases to be enrolled at least half time and ends the day before the loan repayment period starts.

Grant (programs) Gift aid programs that require neither repayment nor a work obligation from students. Federal Title IV grant programs are the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), and State Student Incentive Grant (SSIG). See individual grant program names.

Guaranty Agency A state agency or private, nonprofit institution or organization that administers the financial aid programs within the Federal Family Education Loan (FFEL) Program. One major function is to insure Federal Family Education Loans. Guaranty agencies are reimbursed by the federal government for all or part of insurance claims they pay to lenders.

Higher Education Act (HEA) of 1965, as amended Landmark national higher education passed by Congress and signed by President Lyndon B. Johnson in 1965, as well as subsequent amendments and reauthorizing (extending) legislation of the statute. Title IV of the HEA authorizes the majority of the nation's federal postsecondary student financial aid programs and mandates that they be regulated and administered by the U.S. Secretary of Education. The HEA is effective for approximately five years, requiring Congress to reauthorize it every five years or so or to extend the legislation for up to one additional year. The most recent reauthorization was in 1992. The statute's most current version, as amended, always stands as the official version of the law. See *Reauthorization* and *Title IV Student Financial Aid*.

Higher Education Amendments of 1992 Congressional amendments and changes to the Higher Education Act (HEA) of 1965, as amended, put in place during the 1992 reauthorization of the HEA. They became federal law on July 23, 1992 when President George Bush signed the bill. Sometimes referred to as "the 1992 Amendments" or "the Amendments" in second and multiple-use references.

Higher Education Technical Amendments of 1993 Technical (nonsubstantive) corrections and additions to the 1992 reauthorization of the Higher Education Act (HEA) made in 1993.

Immediate Need A school requests funds to meet its "immediate need" for disbursing Federal Pell Grant Program, Federal Direct Loan Program, and campus-based program awards. "Immediate need" is defined as the amount of funds a school needs to make disbursements to students within the next three days. Recipients request funds as needed, for example, every three days, once a week, or whatever is appropriate. (NOTE: Immediate need does not authorize an institution to maintain a federally funded cash-on-hand balance.) See *Automated Clearinghouse (ACH)* and *Automated FEDWIRE*.

Incarcerated Student A student who is serving a criminal sentence in a federal, state, or local correctional facility. A student in a less formal arrangement, such as a halfway house, home detention, or sentenced to serve only weekends, is not considered to be incarcerated. Students incarcerated in federal or state correctional facilities are not eligible to receive Title IV aid.

Independent Audit An institutional financial audit conducted by an independent public accountant (as defined by the audit standards of the U.S. General Accounting Office) who has been hired by the institution. Also called a nonfederal audit or compliance audit. See *Audit* and *Independent Public Accountant (C.P.A.)*.

Independent Public Accountant (C.P.A.) An accountant who is a Certified Public Accountant (C.P.A.) or state auditor, or an accountant who was licensed before December 31, 1970 who meets the audit independence standards of the U.S. General Accounting Office. See *Independent Audit*.

In-House Control Documents Documents a school uses to meet federal recordkeeping requirements for federal financial aid programs, provide data needed for aid-related reports, and maintain a clear audit trail.

Institutional Capital Contribution (ICC) The portion of a school's Federal Perkins Loan fund contributed by an institution. Beginning with the 1994-95 award year, new institutional capital contributions (ICCs) must be equal to at least one-third (33 1/3 percent) of the new federal capital contribution (FCC) amount *or* one quarter (25 percent) of the combined FCC *plus* ICC. Compare *Federal Capital Contribution (FCC)* and *Program Participation Agreement (PPA).*

Institutional Liability Financial penalties or repayments that an institution must pay to ED as a result of incorrect institutional action or actions. A liability is the difference between the actual expenditures reported by the institution on its quarterly report (ED/PMS 272) for an Obligation Document Number for the award year and the final allowable expenditures as determined by the auditor, program reviewer, or hearing official. See *Quarterly Report.*

Institutional Participation Division (IPD) A division in ED responsible for determining the eligibility of educational institutions to participate in federal student financial aid programs under Title IV.

Institutional Quality Assurance Program (IQAP) An ED quality-control program with an oversight strategy that focuses on results. Within established parameters, schools designated as Institutional Quality Assurance Program (IQAP) participants develop their own procedures for achieving award accuracy, measuring the effectiveness of their systems, and designing and targeting corrective actions through continuous improvement efforts.

Institutional Student Information Record (ISIR) The Institutional Student Information Record (ISIR) is generated by ED's Central Processing System (CPS) and is available to schools through the Electronic Data Exchange (EDE) in the form of Full Data Tapes, Full Data Magnetic Disks, or Full Data Paper Rosters. The ISIR includes full applicant data, information on reject reasons, comments, and assumptions. See *Student Aid Report (SAR).*

Interest Benefits The interest (benefit) payments made by ED to a Federal Stafford Loan lender on behalf of a student. These payments are made by ED at the student's subsidized Federal Stafford Loan interest rate, but only during certain periods: the student's enrollment (at least half time), the grace period, or any authorized deferment period. Interest benefits are not paid on unsubsidized Federal Stafford Loans. See *Special Allowance.*

Job Location and Development (JLD) Program Under the Job Location and Development (JLD) Program, an institution can use up to 10 percent or $50,000 (whichever is less) of its annual Federal Work-Study (FWS) Program allocation to expand off-campus job opportunities, including community-service jobs (CS/JLD), for its currently enrolled students. Jobs may be in either profit or nonprofit settings. Students in this program do not have to meet FWS criteria, show financial need, or meet other Title IV student eligibility criteria. See *Federal Work-Study (FWS) Program.*

Journal A bookkeeping method of original entry, providing a chronological record of the debit and credit elements of each transaction. As transactions occur, they are entered initially into the journal. At frequent intervals, such as daily, weekly, or at least monthly, the debits and credits recorded in the journal are transferred (posted) to the individual accounts in a ledger. See *Ledger*.

Ledger A book of accounts in which each item of a monetary nature to be included in reports is assigned an account. Posting from a journal to the ledger results in each account having either a debit or credit balance that is shown on a particular report listing. Separate ledgers should be maintained for each program or fund. See *Journal*.

Level of Expenditure (LOE) The total amount of Federal Perkins Loan funds a school is allowed to use to make loans to students and to pay administrative and collection costs in a given award year. A school's LOE is calculated by ED on the basis of funds available from a school's collection of outstanding Federal Perkins Loans, the amount of Federal Capital Contribution the school receives, and the amount of Institutional Capital Contribution the school provides.

Limitation, Suspension, or Termination (LS&T) Actions undertaken by ED against a postsecondary institution that has either:

- violated governing the laws or regulations Title IV or Title VII student financial aid programs or the Program Participation Agreement or any other agreement made under the law or regulations; or

- substantially violated the nature of its educational program, its financial charges, or the employability of its graduates.

These ED actions against the institution may include proceedings on limitation, suspension, or termination (LS&T) of the school's participation in federal student financial aid programs; the assessment of fines up to $25,000 for each statutory or regulatory violation; and/or the implementation of emergency action.

A *limitation* means the postsecondary institution agrees to abide by certain specific restrictions or conditions in its administration of student financial aid programs, so that it can continue to participate in any of those programs. A limitation lasts for at least 12 months and, if a postsecondary institution fails to abide by the limitation's conditions, termination proceedings may be initiated.

A *suspension* removes an institution from participating in Title IV and Title VII student financial aid programs for a period not to exceed 60 days, unless a limitation proceeding has begun. Suspension actions are used when a postsecondary institution can be expected to correct a program violation in a short time.

A *termination* ends a postsecondary institution's participation in Title IV and Title VII programs.

A *terminated institution* can be reinstated at a later date by ED to participate in Title IV and Title VII programs.

However, at least three (3) months must elapse from the school's suspension and at least eighteen (18) months must elapse from the school's limitation or termination before an institution can request reinstatement. The request must be in writing. See

Emergency Action and *Program Participation Agreement (PPA)*.

Loan An advance of funds guaranteed by a signed promissory note in which the recipient of the funds promises to repay a specified amount(s) under prescribed conditions.

Loan Disclosure Statement A statement sent to a loan borrower by the lender before or at the time it disburses a loan, as well as before the start of the repayment period. The purpose of the disclosure is to provide the borrower with thorough and accurate information about the loan terms and the consequences of default. It includes information such as:

- amount of the loan,
- interest rate,
- fee charges,
- length of the grace period (if any),
- the maximum length of the repayment, *and*
- the minimum annual repayment, deferment conditions, and the definition of default.

Master Calendar To assure adequate notification about and timely delivery of Title IV financial aid, ED operates using a master calendar defined in the Higher Education Act (HEA). This calendar gives specific dates by which federal forms will be developed and distributed, as well as dates campus-based funds will be allocated and Federal Pell Grant funds will be authorized for an award year. The master calendar determines by what dates federal financial aid regulations must be published.

Monthly Electronic Expenditure Reporting System (MEERS) This new system enables ED/PMS, recipients, including schools, to report expenditures electronically through the service bureau to ED/PMS each month. The software needed to report expenditures is provided to recipients by ED and technical assistance is provided to recipients by both the service bureau and ED. MEERS recipients download a file from the service bureau, update their expenditures, and transmit the file back to the service bureau between the 10th and 25th of each month. MEERS reporting also includes financial aid reporting for programs other than Title IV, such as discretionary grants and Title III. Schools also retrieve data from ED/PMS via MEERS.

National Student Loan Data System (NSLDS) An ED database that collects and maintains student loan information from guaranty agencies, lenders, institutions, ED's Direct Loan Servicing Center, and ED's Title IV defaulter file. Information on all students who previously borrowed under Title IV programs also is maintained in the database. The database is updated on a weekly or monthly basis using information provided from the just-cited sources.

Nationally Recognized Accrediting Agency or Association An independent organization that monitors schools' practices and that certifies or approves schools to operate and/or offer certain programs of study. These organizations must be approved by the U.S. Secretary of

Education for schools participating in the Title IV programs. See *Site Visit*.

Need Analysis The statutory defined method for determining Expected Family Contributions (EFCs) for all students applying for federal Title IV student financial aid. See *Cost of Attendance (COA)* and *Expected Family Contribution (EFC)*.

Nonfederal Audit See *Audit* and *Independent Audit*.

Nonfederal Share The portion of campus-based program funds that a school must contribute from a nonfederal source (usually the portion comes from the school itself). In 1995-96, for Title IV campus-based programs, a nonfederal source must contribute amounts equal to at least one-third (33 1/3 percent) of the federal contribution to the Federal Perkins Loan Fund; one-quarter (25 percent) of Federal Work-Study (FWS) awards; and one-quarter (25 percent) of Federal Supplemental Educational Opportunity Grant (FSEOG) awards. These nonfederal funds were formerly referred to as the institution's matching share.

Notice of Proposed Rulemaking (NPRM) Notice printed in the *Federal Register* of proposed regulations from a government agency, such as ED. Publication of a notice of proposed rulemaking (NPRM) begins an official comment period (which is usually 45 days or 60 days long, but may range from 30 days to 120 days in length) during which interested parties are invited to submit comments about the proposed regulations. See *Federal Register* and *Final Regulations*.

Official Notice of Funding A computer-generated letter a school receives from ED that lists final allocation amounts for each federal campus-based financial aid program a school administers. The notice, which must be sent by April 1, notifies the school of the allocation amounts it will receive for the upcoming award year, which begins the following July 1.

Operator-Assisted Mode One of the two modes schools and other ED/PMS recipients use to request funds from ED/PMS under ACH. As the name implies, recipients speak directly to an operator to request funds. Compare *Automated Voice Response (AVR)*.

Overpayment Any financial aid amount paid to a student in excess of the amount the student is eligible to receive. This situation may arise due to a student's change in enrollment status, withdrawal, or change in financial situation. Except for Federal Work-Study funds, the student would be required to repay excess funds received *unless* adjustments could be made to the student's aid during subsequent payment periods within the same award year. See *Repayment*.

Packaging The process of assembling one or more financial aid awards of loans, grants and/or scholarships, and employment for a student; also referred to as award packaging.

Payment Period A school-defined length of time for which financial aid funds are paid to a student. For programs using academic terms, a payment period is equal to a term. For programs not using academic terms, schools must designate at least two payment periods within an academic year, pursuant to all applicable regulations. In the Federal Family Education Loan (FFEL) Program, and campus-based programs, a payment period is the time between the beginning and midpoint and end of the academic year or non-traditional program calendar. The Federal Pell Grant Program payment period is defined in 34 CFR 690.3 of the Federal Pell Grant regulations. The concept of a payment period is not used in the Federal Direct Loan Program. Compare *Enrollment Period.*

Payment Reimbursement Method A method certain schools must use to request federal financial aid funds from ED. Rather than drawing down Title IV funds *before* disbursing them to students, a school submits Form PMS 270, "Request for Advance or Reimbursement," to ED to be reimbursed for the funds it has expended *after* making aid disbursements to students. Payment is made by ACH/EFT.

Peer Evaluation An objective review of an institution's policies, procedures, and practices by a financial aid administrator from another school or by a consultant. Peer evaluations also allow first-hand observations and comparisons of how comparable institutions carry out financial aid responsibilities.

Period of Enrollment See *Enrollment Period.*

Pell Grant See *Federal Pell Grant Program.*

Perkins Loan See *Federal Perkins Loan Program.*

PLUS Loan See *Federal Direct PLUS Loan* and *Federal PLUS Loan.*

Policies and Procedures Manual An in-house manual that helps an institution effectively and consistently manage financial aid using a compilation of written policies and procedures. Although ED does not require such a manual be used, it recommends that a school compile one, especially as federal financial aid regulations require schools to have and maintain certain written policies.

Posting Transferring the debits and credits from a journal to the proper control and subsidiary ledger accounts. Each amount recorded in the debit column of a journal is posted by entering it on the debit side of the appropriate ledger account, and each amount recorded in the credit column of the journal is posted by entering it on the credit side of the appropriate ledger account.

Principal and Interest Principal is the loan amount borrowed. Interest is the amount the FFEL lender *or* ED for Direct Loans *or* the postsecondary institution for Perkins Loans charges a borrower for using the money. Interest rates are usually stated in annual percentages. A loan must be repaid; both principal and interest are included in the repayment made by the borrower to the lender *or* ED *or* the school.

Prior Year Recoveries Funds a school recovers in a given award year from money disbursed in prior award years. Institutions must adjust award expenditures and administrative cost allowances (ACAs) in award years in which recoveries are made. See *Administrative Cost Allowance (ACA).*

Program Determination Letter (PDL) An official letter sent to a school by ED as a final result of an audit or program review. The letter outlines specific steps the school must take to reimburse ED for improperly spent funds, adjust both institutional and ED records and reports, and assure compliance with Title IV program regulations.

Program Participation Agreement (PPA) A written agreement that must be signed by both a top official at an institution and the U.S. Secretary of Education that permits the institution to participate in one or more federal Title IV student aid programs (other than the State Student Incentive Grant [SSIG]). The signed agreement makes the institution's initial and continued eligibility to participate in Title IV programs conditional on compliance with all provisions of the applicable laws and program regulations. This agreement may have to be updated periodically due to changes at the institution. See *Emergency Action; Institutional Eligibility Notice;* and *Limitation Suspension, or Termination (LS&T).*

Program Review The process in which the management of one or more federal financial aid programs at an institution is reviewed by ED or a guaranty agency. A program review assesses the institution's compliance with federal laws and regulations and its own school policies. It may also include review of the institution's overall management and administrative capabilities.

Program Review Exceptions Institutional policies, procedures, or actions related to federal student financial aid programs cited in a program review report as being contrary to federal laws or regulations that govern the programs. Also referred to as "findings."

Promissory Note A contract between a lender and a borrower that contains the terms and conditions of the loan, including how the loan must be repaid. It becomes legally binding when signed (executed) by the borrower.

Quarterly Report A financial aid report, known as the ED/PMS 272 Report or the ED/PMS 272 Federal Cash Transaction Report, sent from ED and completed by aid recipients, including schools, that reflects the expenditure of funds for each allocation received from ED. The report is sent at the end of each quarter during an award year. An institution completes designated portions of the report dealing with disbursements and recoveries for the Federal Pell Grant Program and campus-based programs and returns the report to ED. (NOTE: Failure to return the report to ED by the designated due date on the transmittal letter accompanying the report may result in suspension of funds to the recipient.) The ED/PMS 272 also includes financial reporting for programs other than the Pell Grant Program and campus-based programs, such as discretionary grants and Title III. See *Department of Education Payment Management System (ED/PMS)* and *Institutional Liability.*

Reauthorization The process of continuing and changing current legislation, because the existing law has expired and has to be reenacted, conducted every five to seven years in the case of the Higher Education Act (HEA), whereby Congress reviews and then renews, terminates, or amends existing programs. (July 23, 1992 was the date the most recent HEA reauthorization was enacted.) See *Higher Education Act (HEA) of 1965, as amended* and *Title IV Student Financial Aid.*

Recipient Data Exchange (RDE) A computer-system procedure for transmitting Federal Pell Grant payment data between an institution and ED using machine-readable magnetic tape.

Reconciliation of Cash A confirmation that the cash amount shown in a school's accounting records agrees with the cash amount reported by the bank where it is deposited for the ED/PMS reporting period. Prompt and thorough cash reconciliation helps ensure the ongoing accuracy of a school's internal-control accounting system.

Reconciliation of Federal Funds Balancing the school's records of federal funds received, expended, and returned against ED's records. A reconciliation should be performed monthly to ensure that reported expenditures, the trial balance, ED/PMS 272 Federal Cash Transactions Report for the Pell Grant Program and campus-based programs, ED's Student Payment Summary for the Pell Grant Program, the school's FISAP (Fiscal Operations Report and Application to Participate) for the campus-based programs, and any other allocation (other than Title IV student financial aid) are in agreement. There should also be a yearly reconciliation of the same items that should be included in the school's most recent audit. The reconciliation process is different in the Federal Direct Loan Programs (see Chapter 6 of *The Blue Book*). See also *Trial Balance.*

Refund This often refers to that portion of funds credited to a student's school account to cover institutional charges that the school returns to ED, a lender, or the student, if the student withdraws from, is expelled from, or drops out of school. If the student received any federal Title IV aid (other than Federal Work-Study), by law, a part of the refund must go to that Title IV program(s). "Refund" also can mean the return of interest or excess cash to ED from ED/PMS drawdowns or the return of audit and program review liabilities and fines. See *Loan Attribution* and *Timely Processing of Refunds and Repayments.*

Refund Policy A school policy that determines the conditions under which a student is entitled to a refund of payments made to the school on the student's behalf and the amount of that refund. All schools participating in Title IV programs are required to have a fair and equitable refund policy, as described in Section 668.22 of the Student Assistance General Provisions. A school's policy must provide a refund to Title IV recipients that is at least as much as the amount derived using (1) the requirements of applicable state law, (2) the refund requirements established by the school's nationally recognized accrediting agency and approved by ED, or (3) the statutory *pro rata* refund calculation defined by the 1992 reauthorization of the Higher Education Act.

Rejected (Pell Payment Data) A category of Federal Pell Grant processed payment data that contains unacceptable or incomplete information that is rejected by the Central Processing System (CPS). An institution must correct the records and resubmit them to the CPS.

Renewal FAFSA A pre-printed application form to be updated by a current federal financial aid applicant to be eligible to receive Title IV financial aid for the upcoming (next) award year. To use this particular update form, the student must have submitted a FAFSA applying for (although not necessarily receiving or accepting) federal financial aid for the preceding award year. A renewal aid application is mailed directly to the student by the school or Central Processing System (CPS) to be completed and returned to the CPS. See *FAFSA (Free Application For Federal Student Aid).*

Repayment When a financial aid recipient who has received federal Title IV cash or EFT disbursement(s) withdraws from school, the school must determine whether the student owes a repayment to the federal government. If the cash disbursement (excluding Federal Work-Study [FWS], FFEL Program Loans, and Federal Direct Loans) was greater than the amount of the student's expenses before the student withdrew from school, the difference is considered an overpayment that must be repaid. A portion of the overpayment must be collected from the student and returned to federal Title IV programs as outlined in the federal repayment distribution formula. See *Distribution Formula*, *Overpayment*, and *Timely Processing of Refunds and Repayments.*

Repayment Policy The institutionally established policy that determines the amount of education-related expenses (non-institutional costs) reasonably incurred during a student's actual period of attendance. See *Distribution Formula*, *Overpayment*, and *Repayment.*

Repayment Schedule A *specific timetable*, using the borrower's repayment plan as its basis, that details the amount of loan principal and interest due in each repayment installment and the number of payments that will be required to pay off the loan in full. Additionally, a repayment schedule traditionally lists the loan's interest rate, the due date of the first loan payment, and the frequency of loan payments.

Satisfactory Academic Progress (SAP) A satisfactory rate of student course-completion determined using qualitative and quantitative measures. By law, schools whose students receive Title IV funds must create policies for monitoring satisfactory academic progress (SAP). Schools must check at least once a year and document for each payment period that their Title IV aid students are making satisfactory academic progress.

Self-Evaluation A school's regularly scheduled in-house evaluation of the way it administers its student financial aid program. A self-evaluation is undertaken in an effort to detect any problems early on and resolve them.

Self-Help Aid Student financial aid loan programs where funds must be repaid *or* employment-opportunity programs awarded to students. Compare *Gift Aid.*

SEOG Term is obsolete. See *Federal Supplemental Educational Opportunity Grant (FSEOG) Program.*

Separation of Functions As a part of administering federal student financial aid programs, a school is required to establish and maintain a checks-and-balances internal-control system ensuring that no single school officer can both authorize payments and disburse funds to students. Often, this required separation is created by dividing the functions between the school's financial aid office and the school's business office.

Single Entry Bookkeeping The system used, for example, in a personal checkbook where generally only records of cash and of personal accounts are maintained. Where transactions are infrequent and receivables, payables, and assets other than cash are few, carefully maintained single-entry records may be adequate. See *Bookkeeping.*

Site Visit A visit to a school during which an independent auditor, nationally recognized accrediting agency, State Postsecondary Review Entity (SPRE), and/or ED seeks to understand the school's physical plant, enrollment, student financial aid application process, and methods of monitoring student attendance. See *Independent Audit, Nationally Recognized Accrediting Agency or Association,* and *State Post Secondary Review Entity (SPRE).*

Skip Tracing Traditionally, searching for someone with unpaid debts who has left hurriedly or secretly ("skipped") without leaving a forwarding address. In a federal financial aid context, this is when, for whatever reason, a loan borrower no longer lives at the address where the Direct Loan Servicing Center, or a lender or school is sending loan billing notices, and the Direct Loan Servicing Center, or lender or school must attempt to locate the borrower's correct address. In the search, the law allows the use of any information obtained from the borrower while the borrower was at the school (such as data taken from applications and files), as well as information gleaned from any school office (including the registrar's office and the alumni office). If the borrower still cannot be located using information from the school (or otherwise available to the lender), the lender or school must use ED's free skip-tracing service to try to locate the missing loan borrower.

Special Allowance A percentage of the average unpaid principal balance paid to the lender of an FFEL Program loan by ED. In effect, ED pays extra interest on the loan to the lender in addition to the basis interest charged on subsidized and unsubsidized loans. This amount makes up the difference between the rates charged to FFEL Program borrowers and market interest rates. The amount of the special allowance is set by a statutory formula related to 91-day Treasury Bill rates.

Stafford Loan See *Federal Direct Stafford/Ford Loan (subsidized), Federal Direct Unsubsidized Stafford/Ford Loan, Federal Stafford Loan (subsidized)* and *Unsubsidized Federal Stafford Loan.*

Statement of Account (SOA) An official Federal Pell Grant statement from ED that sets a school's Pell authorization level for the upcoming award year and projects adjustments to the school's Pell funding needs. See *Federal Pell Grant Program.*

State Postsecondary Review Entity (SPRE) A state agency approved by the U.S. Secretary of Education that determines eligibility for Title IV program participation in the state and ensures compliance with state standards. SPREs were created in the 1992 reauthorization of the Higher Education Act (HEA). However, Congress might not fund the SPREs. See *State Postsecondary Review Program (SPRP).*

State Postsecondary Review Program (SPRP) A program created in the 1992 reauthorization of the Higher Education Act (HEA) that is designed to reduce fraud and abuse in federal financial aid programs. The State Postsecondary Review Program (SPRP) establishes state standards for schools participating in Title IV programs. A state identifies a State Postsecondary Review Entity (SPRE) (which must be approved by the U.S. Secretary of Education) to perform these functions. See *State Postsecondary Review Entity (SPRE).*

State Student Incentive Grant (SSIG) A Title IV gift-aid program jointly funded by the federal government and participating states. It provides state scholarship or grant assistance to students who show financial need.

Student Aid Master Record An institutional record containing information for an in-school student for each award year. The institution records all basic information relating to all student aid programs, including institutional and other aid programs, on the master record.

Student Aid Report (SAR) The report sent directly to a student from ED's Central Processing System (CPS) that summarizes information submitted on the student's Free Application for Federal Student Aid (FAFSA) and provides financial-need calculations (including the student's Expected Family Contribution [EFC]) on the basis of the submitted figures. As of the 1996-97 award year and thereafter, the SAR has two parts. Part 1 is the Student Information Summary. Part 2, the Information Review Form, is where the student can make any needed corrections or information changes. The student provides the corrections and returns Part 2 of the SAR to the CPS. The CPS will then send the student a copy of the corrected SAR. For the 1995-96 award year, the SAR has three parts. It has the same Parts 1 and 2 as the 1996-97 SAR and a Part 3, the paper Payment Voucher. See *Institutional Student Information Record (ISIR).*

Student Payment Summary (SPS) A listing retained in ED's records of Federal Pell Grant recipients summarizing their award information. The summaries are sent to the appropriate institutions at least three times during the award year, as well as at the end of the year.

Student Status Confirmation Report (SSCR) Reports (in either paper or electronic form) sent to educational institutions at least twice a year by guaranty agencies or the Direct Loan Servicing Center. The report lists all the Federal Stafford Loan and Federal Direct Loan borrowers at the institution who (a) have loans guaranteed by the agency or made by ED and (b) were last reported as enrolled at the school. The institution is required to provide the guaranty agency or Direct Loan Servicing Center with certain enrollment information about each of the borrowers. The Student Status Confirmation Report is used as a monitoring device to help determine when student borrowers must begin repaying their student loans.

Subsidiary Accounts Accounts related to the control account that support in detail the summary transactions posted in the control account. See *Control Account.*

Subsidiary Records Reconciliation Institutional records that must exist to support the totals in each Title IV financial aid program account. Reconciliation between accounts and subsidiary record detail should be performed at least once a month, as required by some Title IV programs.

Supplemental Appropriation An additional allocation of available funds for one or more campus-based programs that may be given to a school on the basis of the school's need for additional funds. Supplemental allocations are made after schools have released unexpended campus-based funds at the end of an award year. See *Appropriation, Allocation,* and *Deobligation.*

T-Accounts A short method accountants use to illustrate ledger accounts, alleviating the tedious reproduction of accounts as they actually appear in an institution's ledger. Accountants use the T-account as a worksheet to check the debit and credit balances of individual ledger accounts and to trace posting of transactions to the various ledger accounts. See *Contra Account.*

Timely Processing of Refunds and Repayments Schools must notify students and loan lenders, in writing, when financial aid is refunded or repaid to Title IV programs. Schools must return refund or repayment portions to the Federal Direct Loan Program, the Federal Pell Grant Program, and campus-based program accounts within 30 days of a student's withdrawal date and, under the FFEL Program, return proceeds to the lender within 60 days of a withdrawal date. If an audit or program review reveals that a school is not meeting the deadlines for returning refunds and repayments to Title IV accounts, the school incurs a financial liability. See *Refund* and *Repayment.*

Title IV Student Financial Aid Federal financial aid programs for students attending postsecondary educational institutions, authorized under Title IV of the Higher Education Act of 1965, as amended. The programs are administered by the U.S. Department of Education. Title IV programs consist of:

- Federal Pell Grants,
- Federal Supplemental Educational Opportunity Grants (FSEOGs),
- Federal Work-Study (FWS),
- Federal Perkins Loans,
- Federal Family Education Loan (FFEL) Program loans,
- Federal Consolidation Loans,
- State Student Incentive Grants (SSIGs),
- William D. Ford Federal Direct Loans,

- Robert C. Byrd Honors Scholarships, *and*

- Presidential Access Scholarships (currently, these scholarships are unfunded).

See *Higher Education Act (HEA) of 1965, as amended.*

Trial Balance A comparison of debit and credit balances and the addition of account balances. A successful trial balance for the Title IV programs is a confirmation that accounts receivable, program expenditures, and cash balances equal the amounts authorized. The purpose of a trial balance is to check that the dollar amounts of debits and credits are equal in the general ledger accounts. This is a useful tool for catching many types of errors, but having a trial balance in balance, in and of itself, is not an assurance that other accounting errors haven't been made. Taking a trial balance should be performed at least monthly. See *Reconciliation of Federal Funds.*

Unsubsidized Federal Stafford Loan A federal student loan program that provides low-interest loans to students in undergraduate, graduate, and professional programs. Unsubsidized loans are not awarded on the basis of financial need. Interest on an unsubsidized loan is charged to the borrower throughout the life of the loan. See *Capitalizing Interest* and *Federal Stafford Loan (subsidized).* Compare *Federal Direct Unsubsidized Stafford/Ford Loan.*

U.S. Treasury Check (System) This funds-request system is no longer used because payments no longer are made by Treasury check. All payments through ED/PMS are made electronically through ACH/EFT or FEDWIRE.

User's Guide A technical reference publication produced by ED and designed to support or assist recipients using electronic systems such as EDE, MEERS, and FEDWIRE.

Verification The technical and administrative procedures for detecting and resolving inaccuracies in data a student (and family) supplied on the Free Application For Federal Student Aid (FAFSA) when applying for Title IV aid. ED publishes a *Verification Guide* each year that details verification guidelines and procedures.

William D. Ford Federal Direct Loan Program See *Federal Direct Loan Program.*

Appendix B: Acronyms

ACA Administrative Cost Allowance

ACH/EFT Automated Clearing House/ Electronic Funds Transfer

ACN Audit Control Number

AFMS See *FS*

AICPA American Institute of Certified Public Accountants

ARB Audit Resolution Branch (in the U.S. Department of Education)

ARMG Accounts Receivable Management Group (in Financial Services [FS] of the U.S. Department of Education); formerly Loans and Accounts Receivable Branch (LARB)

AVR Automated Voice Response (touch-tone telephone)

AY Academic Year

CAN Common Accounting Number

CAP Corrective Action Plan

CEO Chief Executive Officer

CFO Chief Fiscal/Financial Officer

CFR Code of Federal Regulations

COA Cost of Attendance

CPA Certified Public Accountant

CPS Central Processing System

CR Credit

CS/JLD Community Service Job Location and Development Program

CSL Community Service Learning program (self-help employment)

DMRS Deposit Message Retrieval System

DR Debit

ED U.S. Department of Education

EDE Electronic Data Exchange

EDGAR U.S. Department of Education General Administrative Regulations

ED/PAS U.S. Department of Education Primary Accounting System

ED/PMS Department of Education Payment Management System

EFC Expected Family Contribution

EFT Electronic Funds Transfer (see also *ACH/EFT*)

EIN Entity Identification Number

ELO Expanded Lending Option

EPI Electronic Payment Information

EPPV Electronic Processed Payment Voucher

EPV Electronic Payment Voucher

ESOA Electronic Statement of Account

EST Eastern Standard Time

ET Eastern Time

FAA Financial Aid Administrator

FAD Final Audit Determination

FAFSA Free Application for Federal Student Aid

FAO Financial Aid Officer

FARM *Financial Accounting and Reporting Manual for Higher Education*

FAT Financial Aid Transcript

FCC Federal Capital Contribution

FDDE Floppy Disk Data Exchange

FEDWIRE U.S. Treasury Financial Communication System/Deposit Message Retrieval System *or* Federal Reserve Communications System (not a U.S. Treasury wire transfer system)

FERPA Family Education Rights and Privacy Act

FFEL Federal Family Education Loan Program

FFY Federal Fiscal Year

FISAP Fiscal Operations Report and Application to Participate

FPG Financial Payments Group (in Financial Services [FS] of the U. S. Department of Education); formerly Program Financing Branch (PFB)

FPL Federal Perkins Loan

FRB Federal Reserve Bank

FRCS Federal Reserve Communications System

FROE Final Report of Expenditures

FS Financial Services (in the U.S. Department of Education); formerly Accounting and Financial Management Services (AFMS)

FSEOG Federal Supplemental Educational Opportunity Grant

FWS Federal Work-Study

FY Fiscal Year

GAAP Generally Accepted Accounting Principles

GAO General Accounting Office

GAS Government Auditing Standards

GASB Governmental Accounting Standards Board

GES General Electronic Support

HEA Higher Education Act of 1965, as amended

HPSL Health Professions Student Loan Program

ICC Institutional Capital Contribution

IPD Institutional Participation Division (of the U.S. Department of Education)

IPS Institutional Payment Summary

IQAP Institutional Quality Assurance Program

ISIR Institutional Student Information Record

JLD Job Location and Development programs--these include the regular Job Locat on and Development Program and the Community Service Job Location and Development (CS/JLD) Program

LARB See *ARMG*

LOA Leave of Absence

LOE Level of Expenditure in the Federal Perkins Loan Program

LS&T Limit, Suspend, or Terminate *or* Limitation, Suspension, or Termination

MEERS Monthly Electronic Expenditure Reporting System

NACUBO National Association of College and University Business Officers

NASEA National Association of Student Employment Administrators

NASFAA National Association of Student Financial Aid Administrators

NDSL National Direct Student Loan Program *or* National Defense Student Loan Program

NFC National Finance Center

NIH National Institutes of Health

NPRM Notice of Proposed Rulemaking

NSF Non-Sufficient Funds

NSLDS National Student Loan Data System

OC Object Classification Code

OIG Office of Inspector General (in the U. S. Department of Education)

OMB Office of Management and Budget

OPE Office of Postsecondary Education (in the U.S. Department of Education)

PAN Payee Account Number

PAS Presidential Access Scholarship

PDL Program Determination Letter

PFB See *FPG*

PGRFMS Pell Grant Recipient and Financial Management System

PIN Payee Identification Number

P.L. Public Law

PPA Program Participation Agreement

PPV Processed Payment Voucher

PV Payment Voucher

RDE Recipient Data Exchange

RIGA Regional Inspector General for Audit

SAP Satisfactory Academic Progress

SAR Student Aid Report

SAS Statement on Auditing Standards

SFAP Student Financial Assistance Programs (in the U. S. Department of Education)

SOA Statement of Account

SPRE State Postsecondary Review Entity

SPRP State Postsecondary Review Program

SPS Student Payment Summary

SSCR Student Status Confirmation Report

SSIG State Student Incentive Grant

TFCS U.S. Treasury Financial Communications System

TFM Treasury Financial Manual

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Appendix C: Key Resources

Unless otherwise indicated, copies of the following items are available from:

The Federal Student Aid Information Center
P.O. Box 84
Washington, D.C. 20044
or
1-800-4-FED-AID
8 a.m.- 7 p.m. (CT), Monday-Friday

1. Federal Regulations and Laws

Code of Federal Regulations, Title 34, Part 400 to end, on education (Source: For current price information, contact Code of Federal Regulations (CFR) Unit, Office of the *Federal Register*, National Archives and Records Administration, Washington, D.C. 20402 or telephone 202-523-3419; to order copies, contact the Superintendent of Documents, U.S. Government Printing Office (G.P.O.), Washington, D.C. 20402 or telephone 202-512-1800 or your local G.P.O. Bookstore).* A listing of local G.P.O. bookstores may be obtained from the Superintendent of Documents in Washington, D.C. at the address and telephone number given here.

*In addition, each Monday the daily *Federal Register* publishes specific price and order information. The most recent edition of the *Code of Federal Regulations* becomes available in October each year.

Current Student Aid and Other Related Regulations (through January 31, 1994), U.S. Department of Education, Student Financial Assistance Programs.

A Compilation of Federal Education Laws, Vol. III - Higher Education, March 1994, U.S. Government Printing Office (G.P.O.). (Source: For current information, contact the chair of the U.S. House of Representatives Committee on Education and Labor or the chair of the U.S. Senate Committee on Labor and Human Resources or the Superintendent of Documents, U.S. Government Printing Office (G.P.O.), Washington, D.C. 20402 or telephone 202-512-1800 or your local G.P.O. Bookstore).

2. Student Financial Assistance Programs Publications

Institutional Eligibility and Participation and Program Eligibility

Federal Register, May 25, 1990, Vol. 55, No. 102, Part II: Drug-Free Workplace Requirements, Notice and Final Rules.

Federal Register, August 16, 1990, Vol. 55, No. 159, 34 CFR Part 86: Drug-Free Schools and Campuses, Final Regulations.

Federal Register, April 29, 1994, Vol. 59, No. 82, 34 CFR Part 600, pages 22324 - 22346: Institutional Eligibility Under the Higher Education Act of 1965, as Amended, Final Rule.

Federal Register, April 29, 1994, Vol. 59, No. 82, 34 CFR Part 667, pages 22286 - 22311: State Postsecondary Review Program, Final Rule.

Federal Register, November 29, 1994, Vol. 59, No. 228, 34 CFR Part 600, pages 61142 - 61190: Institutional Eligibility, Student Assistance General Provisions, Federal Family Education Loan Program, Final Rule.

Dear Colleague Letter, GEN-91-14, information concerning the Student Right-to-Know and Campus Security Act, P.L. 101-542.

Dear Colleague Letter, GEN-91-27, information concerning P. L. 101-542 (the Student Right-to-Know and Campus Security Act), as amended by P. L. 102-26 in the Higher Education Technical Amendments of 1991.

Student Assistance General Provisions

Federal Register, March 16, 1994, Vol. 59, No. 51, pages 12514 - 12521: Student Assistance General Provisions, Final Rule.

Federal Register, April 13, 1994, Vol. 59, No. 71, pages 17648 - 17650: Student Assistance General Provisions, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, Final Rule.

Federal Register, November 29, 1994, Vol. 59, No. 228, pages 61204 - 61207: Institutional Eligibility, Student Assistance General Provisions, Federal Family Education Loan Programs, Final Rule.

Federal Register, December 1, 1994, Vol. 59, No. 230, pages 61716 - 61731: Student Assistance General Provisions, Cash Management, Federal Perkins Loan Program, Federal Supplemental Educational Opportunity Grant Program, Federal Work-Study Program, Federal Family Educational Loan Program, Federal Pell Grant Program, Final Rule.

Federal Register, January 17, 1995, Vol. 60, No. 10, pages 3464 - 3469: Family Education Rights and Privacy Act, Final Rule.

Dear Colleague Letter, dated January 1995, GEN-95-1, provides information to postsecondary institutions, guaranty agencies, and lenders in the Federal Family Education Loan (FFEL) Program to assist students and institutions in areas designated as natural disaster areas due to the October 1994 floods in Texas. The guidance offered in this letter is similar to that provided earlier in 1994 after the floods in the Southeast.

Dear Colleague Letter, dated January 1995, GEN-95-8, states that Direct Loan Program schools will not face greater potential liabilities than Federal Family Education Loan Program schools.

Dear Colleague Letter, dated February 1995, GEN-95-12, informs postsecondary institutions how to report ownership or control by, contracts with, or gifts from, foreign sources.

Dear Colleague Letter, dated February 1995, GEN-95-13, informs postsecondary institutions how and when to report information regarding third-party servicers.

Dear Colleague Letter, dated March 1995, GEN-95-16, provides information about the National Student Loan Data System (NSLDS) to schools participating in Title IV programs.

Dear Colleague Letter, dated April 1995, GEN-95-19, provides information on changes in verification requirements for 1995-96, the verification worksheet, and a chart detailing signature requirements.

Dear Colleague Letter, dated April 1995, GEN-95-20, provides guidance for helping Title IV participants affected by floods in California.

Dear Colleague Letter, dated April 1995, GEN-95-22, provides clarification concerning institutional refunds to students.

Dear Colleague Letter, dated May 1995, GEN-95-26, provides information on implementing the 85/15 Rule to determine eligibility for Title IV student aid programs.

Ability to Benefit

Federal Register, December 30, 1992, Vol. 57, No. 251: Guidelines to assist institutions in determining student eligibility for Title IV programs (current listing of ability-to-benefit examinations and guidelines for the interim approval of additional examinations), Notice.

Dear Colleague Letter, GEN-91-10, implementing P.L. 101-508 regarding admission of students on the basis of their ability to benefit.

Dear Colleague Letter, GEN-91-20, description of statutory changes made by the Higher Education Technical Amendments of 1991, P.L. 102-26, to ability-to-benefit provisions and third list of examinations approved by ED.

Dear Colleague Letter, GEN-92-21, changes mandated by the 1992 reauthorization of the Higher Education Act.

Federal Family Education Loan Program

Federal Register, April 29, 1994, Vol. 59, No. 82, pages 22462 - 22489: Federal Family Education Loan Program, Final Rule.

Federal Register, June 28, 1994, Vol. 59, No. 123, pages 33334 - 33596: Federal Family Education Loan Program, Final Rule.

Federal Register, November 29, 1994, Vol. 59, No. 228, pages 61210 - 61217: Federal Family Education Loan Program, Final Rule.

Federal Register, November 30, 1994, Vol. 59, No. 229, pages 61424 - 61429: Federal Family Education Loan Program, Final Rule.

Dear Colleague Letter, dated March 1995, 95-S-73, discusses limitations on lending by schools and prohibition on inducements to schools that must be observed.

Federal Pell Grant Program

Federal Register, November 1, 1994, Vol. 56, No. 210, pages 54718 - 54743: Federal Pell Grant Program, Presidential Access Scholarship Program, Final Rule.

Dear Colleague Letter, dated January 1995, P-95-1, provides the 1995-96 Federal Pell Grant Program payment and disbursement schedules.

William D. Ford Federal Direct Loan Program

Federal Register, February 17, 1994, Vol. 59, No. 33, pages 8080 - 8084: Federal Direct Student Loan Program, Notice.

Federal Register, April 26, 1994, Vol. 59, No. 80, pages 21804 - 21807: Federal Direct Student Loan Program, Final Rule.

Federal Register, July 1, 1994, Vol. 59, No. 126, pages 34278 - 34291: Federal Direct Student Loan Program, Final Rule.

Federal Register, December 1, 1994, Vol. 59, No. 230, pages 61664 - 61713: William D. Ford Federal Direct Loan Program, Final Rule.

Federal Register, December 22, 1994, Vol. 59, No. 245, pages 66132 - 66139: William D. Ford Federal Direct Loan Program, Final Rule.

Campus-Based Programs

Dear Colleague Letter, dated August 1994, CB-94-20, provides information to schools and servicers on the National Student Loan Data System (NSLDS) and plans for its implementation.

Federal Register, November 30, 1994, Vol. 59, No. 229, pages 61392 - 61421: Federal Perkins Loan Program, Federal Work-Study Programs, and Federal Supplemental Educational Opportunity Grant Program, Final Rule.

Dear Financial Aid Administrator Letter, dated January 1995, CB-95-2, provides information about changes in the 1996-97 Fiscal Operations Report and Application to Participate (FISAP) for the Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) Programs.

Dear Financial Aid Administrator Letter, dated March 1995, CB-95-4, provides information about a postsecondary institution's final authorization letter for funding under campus-based programs for the 1995-96 award year.

Dear Financial Aid Administrator Letter, dated July 1995, CB-95-11, serves as the transmittal letter for the 1996-97 Electronic FISAP diskette package.

Dear Financial Aid Administrator Letter, dated June 1995, CB-95-12, provides information on the release of campus-based funds and mandatory Federal Work-Study (FWS) community-service reporting requirements.

Reference Manuals

Direct Loan School Guide, October 1994, U. S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

Direct Loan User's Guide, 1995-96, U. S. Department of Education. (Source: GES Customer Service at 319-339-6642).

The Reconciliation Guide for Direct Loans, April 1995, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

Expected Family Contribution (EFC) Formulas, 1995-96, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

The 1995-96 Federal Student Financial Aid Handbook, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

Verification Guide for the Title IV Financial Aid Programs 1995-96, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

EDExpress User's Guide, 1995-96, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs. (Source: GES Customer Service at 319-339-6642).

General Electronic Support (GES) User's Guide, 1995-96, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs. (Source: GES Customer Service at 319-339-6642).

Electronic FISAP User Guide, Revised August 1995, U. S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs. (Source: Campus-Based Program Systems Division at 202-205-8975).

Instructions Booklet for Fiscal Operations Report for 1994-95 and Application to Participate for 1996-97 (FISAP) in the Federal Perkins Loan, Federal Supplemental Educational Opportunity Grant (FSEOG), and Federal Work-Study (FWS) Programs, U.S. Department of Education, Office of Postsecondary Education, Student Financial Assistance Programs.

3. Other Related U.S. Department of Education Publications

Audit Guide, Student Financial Assistance Programs, June 1995, U.S. Department of Education, Office of Inspector General.

Monthly Electronic Expenditure Reporting System (MEERS) User's Guide, January 1993, U.S. Department of Education. (Source: Room 3321, FB-10, Financial Payments Group, U.S. Department of Education, 600 Maryland Avenue, S.W., Washington, D.C. 20202-4331 or telephone an ED/PMS Account Representative for your state [see Appendix D of this book]).

Recipient's Guide for the Department of Education Payment Management System (ED/PMS), October 1993, U.S. Department of Education, Financial Services. (Source: Room 3321, FB-10, Financial Payments Group, U.S. Department of Education, 400 Maryland Avenue, S.W., Washington, D.C. 20202-4723 or telephone a ED/PMS Account Representative for your state [see Appendix D of this book]).

4. Non-U.S. Department of Education Publications

Reference Manuals

Encyclopedia of Student Financial Aid, February 1995, National Association of Student Financial Aid Administrators (NASFAA), Washington, D.C. (Source: National Association of Student Financial Aid Administrators, 1920 L Street, N.W., Suite 200, Washington, D.C. 20036 or telephone 202-785-0453).

Financial Accounting and Reporting Manual (FARM) for Higher Education, update published bi-monthly, National Association of College and University Business Officers (NACUBO), Washington, D.C. (Source: National Association of College and University Business Officers, 1 Dupont Circle, N.W., Suite 500, Washington, D.C. 20036 or telephone 202-861-2500).

Government Auditing Standards, 1994 Revision, Comptroller General of the United States, U.S. General Accounting Office (Source: Superintendent of Documents: U.S. Government Printing Office, Washington, D.C. 20402 or telephone 202-512-1800; Stock Number 020-000-00243-3).

Institutional Guide for Financial Aid Self-Evaluation, Eleventh Edition, July 1994, National Association of Student Financial Aid Administrators (NASFAA), Washington, D.C. (Source: National Association of Student Financial Administrators, 1920 L Street, N.W., Suite 200, Washington, D.C. 20036 or telephone 202-785-0453).

Circulars

Audits of State and Local Governments, Circular A-128, April 1985 (revision in process), Office of Management and Budget (Source: Executive Office of the President, 2200 New Executive Office Building, 725 17th Street, N.W., Washington, D.C. 20503 or telephone 202-395-7332).

Audits of Institutions of Higher Education and Other Nonprofit Organizations, Circular A-133, March 1990, Office of Management and Budget (Source: Executive Office of the President, 200 New Executive Office Building, 725 17th Street, N.W., Washington, D.C. 20503 or telephone 202-395-7332).

Appendix D: Technical Assistance Directory

I. William D. Ford Federal Direct Loan Program

Direct Loan Customer Service Interim Telephone Numbers

For information on:	Contact:
• Direct Loan Policies and Procedures	• **U.S. Department of Education** **Direct Loan Task Force** 202-708-9951 from 8 a.m. to 5 p.m. (ET)
• Direct Loan Bulletins, Regulations, and Questions & Answers	• **Direct Loan INTERNET e-mail address** #directloan@ed.gov
• Student Inquiries • Ordering Materials	• **Public Inquiry Contractor** 1-800-4-FED-AID from 8 a.m. to 7 p.m. (CT)
• All Technical Questions • Software and User's Guides • General Electronic Support (GES)	• **Central Processing System (CPS)** 1-800-866-1808 from 8 a.m. to 7 p.m. (CT)
• Technical Reference (Mainframe or PC) • Testing and Test Cases	• **Rachel Cogland** 301-572-0283 from 8 a.m. to 5 p.m. (ET)
• Connectivity and Password Transmission Problems	• **NCS User Services for General Electronic Support (GES) participants** 1-800-553-2159 from 7 a.m. to 7 p.m. (CT)
• Completion of SF-1199A form (Direct Deposit Form)	• **Trisha Delia** 202-401-1094 from 9 a.m. to 12 noon and 2 p.m. to 4 p.m. (ET) • **Connie Angotti** 202-401-2091 from 9 a.m. to 12 noon and 2 p.m. to 4 p.m. (ET) • **Super Help Desk (Hotline)** 202-401-2095 from 8 a.m. to 4 p.m. (ET)

II. Federal Pell Grant Program

(1) To request information on the **Applicant Roster and Tape Service**, telephone the Customer Service Department for the Applicant Data Service, Federal Student Aid Programs, at 319-339-6444.

(2) To request the following information on the **Floppy Disk Data Exchange (FDDE),** telephone the Floppy Disk Data Exchange Specialist, in the Pell Grant Systems Division, at 202-708-9141:

- Questions about Pell Grant payment batch processing, the status of a batch, payment data record rejects, and operational policy issues for Pell Grant payment data.

Postsecondary institutions mail completed FDDE diskettes to the following address:

Floppy Disk Data Exchange (FDDE)
U.S. Department of Education
Pell Grant Systems Division, PSS
P.O. Box 10800
Herndon, Virginia 22070-7009

(3) To request information on the **Recipient Data Exchange (RDE),** telephone the RDE Specialist, in the Pell Grant Systems Division, at 202-708-7725.

Postsecondary institutions mail completed RDE tapes or cartridges to the following address:

U.S. Department of Education
Application Pell Processing Systems Division, APPSD
Attn: Recipient Data Exchange (RDE)
P.O. Box 10800
Herndon, Virginia 22070-7009

Or to send by courier service, deliver them to the following address:

U.S. Department of Education
Application Pell Processing Systems Division, APPSD
c/o PRC
Attention: G35PGRFMS/DMS
1500 PRC Drive
McLean, Virginia 22102-5050

(4) To request the following information on the Electronic Payments component of the **Electronic Data Exchange (EDE),** contact the Electronic Payments Specialist, in the Pell Grant Systems Division, at 202-708-6813 (enrollment information) and 202-708-9141 (servicing information).

(5) To request the following information on the **General Electronic Support (GES) Network,** contact GES Customer Service at 319-339-6642 between 8:00 a.m. and 4:30 p.m. (CT) Monday through Friday:

- questions about enrollment, passwords, sending in forms for services, software, and costs;
- explanations about rejection codes based on your transmissions over the GES Network;
- questions about invoices or the on-line payment profile, including billing units, procedures, past due invoices, and purchase order requirements;
- general problems; and
- requests for duplicate copies of the *GES User's Guide* or software *or* inquiries about the format and content of the *Guide or* updates to it.

(6) To request information on the following Pell Grant Program concerns, contact the Financial Management Specialist who serves your Department of Education region:

- initial authorization process for an award year;
- reporting and accounting for Pell Grant funds (for either Payment Vouchers and/or Processed Payment Vouchers with an Institutional Payment Summary or tape records, diskettes or Electronic Payment Data records);
- Pell Grant (paper) Statement of Account;
- IPS Batch Reports;
- Student Payment Summary;
- adjustments to Pell Grant funding for prior award years; and
- closed institutional accounts.

The Financial Management Specialists, alternates, and the regions they serve are listed below:

Name (alternate)	Telephone Number (alternate)	Regions (States)
Jeannette Bailey (Sarenia Newsom)	202-708-9232 (202-708-9233)	I (CT, MA, ME, NH, RI, & VT)
Barbara Maddox (Shirley Purvis)	202-708-8825 (202-708-6822)	II (NJ, NY, PR, & the Virgin Islands)
Barbara Maddox (Jeannette Bailey)	202-708-8825 (202-708-9232)	III (DC, DE, MD, PA, VA, & WV)
Shirley Purvis (Terry Brooks)	202-708-6822 (202-708-9231)	IV (AL, FL, GA, KY, MS, NC, SC, & TN)
Terry Brooks (Barbara Maddox)	202-708-9231 (202-708-8825)	V (IL, IN, MI, MN, OH, & WI)
Sarenia Newsom (Shirley Purvis)	202-708-9233 (202-708-6822)	VI (AR, LA, NM, OK, & TX)
Sarenia Newsom (Carolyn Craddock)	202-708-9233 (202-708-7821)	VII (IA, KS, MO, & NE)
Jeannette Bailey (Sarenia Newsom)	202-708-9232 (202-708-9233)	VIII (CO, MT, ND, SD, UT, & WY)
Carolyn Craddock (Thurman McClain)	202-708-7821 (202-708-8269)	IX (AZ, CA, HI, NV, & the Pacific Islands—American Samoa, Guam, Palau, Wake Island, and the Federated States of Micronesia)
Terry Brooks (Carolyn Craddock)	202-708-9231 (202-708-7821)	X (AK, ID, OR, & WA)

III. Campus-Based Programs

(1) For information on the following campus-based program issues, contact the Financial Management Specialist serving your state:

- preparing the FISAP,
- correcting or verifying the initial data entry and edit worksheets from the FISAP,

- interpreting tentative funding levels for your institution,
- final authorization levels for your institution (found in your Official Notice of Funding),
- final adjusted authorization levels for your institution,
- release of unexpended current-year campus-based funds, and
- reporting prior-year recoveries still listed on your latest ED/PMS 272 Report.

The Financial Management Specialists, alternates, and the states they serve are listed below:

Name (alternate)	**Telephone Number (alternate)**	**States Served**
Vicki Roberson (Dinah Nelson)	202-708-7747 (202-708-8759)	LA, MA, MD, ME, MI, MN, & MT
Dinah Nelson (Vicki Roberson)	202-708-8759 (202-708-7747)	FL, MS, OH, & PA
Jennifer Eades (C. Franklin Jones)	202-708-9184 (202-708-9183)	NE, NH, NJ, NM, NV, NY, PR, UT, & the Virgin Islands
C. Franklin Jones (Jennifer Eades)	202-708-9183 (202-708-9184)	AK, AL, AZ, CO, CT, DE, GA, KY, RI, & VT
Rhonda Herbert (Jim Porter)	202-708-9191 (202-708-7752)	AR, DC, HI, TN, TX, VA, & the Pacific Islands—American Somoa, Guam, Palau, Wake Island, and the Federated States of Micronesia
Joseph Morris (Alice Payne)	202-708-8745 (202-708-9754)	IA, ID, IL, IN, KS, & MO
Alice Payne (Joseph Morris)	202-708-9754 (202-708-8745)	CA & SC
Jim Porter (Rhonda Herbert)	202-708-7752 (202-708-9191)	NC, ND, OK, OR, SD, WA, WI, WV, & WY

(2) For the following services, available 24 hours a day, use the interactive voice system by telephoning 202-205-0045 and selecting **option two** of the Campus-Based Programs Financial Management Division to:

- get mailing addresses and FAX numbers for campus-based offices;
- request documents and forms;
- obtain information on allocations, institutional share requirements, and the electronic FISAP;
- speak to your Financial Management Specialist (if the person is unavailable or the call is received after close of business, you may leave a message in the personal mail box and your call will be returned the following day); and
- hear the "hot" news. ED has a hotline that provides the latest information on upcoming "Dear Colleague" letters, advance notice of changes to the FISAP, information about FISAP edits, and so on.

(3) For information on the **Electronic FISAP process**, contact an Electronic FISAP Administrator at 301-565-0032 between 9 a.m. and 5 p.m. (ET), Monday through Friday.

(4) For information on **correcting prior year reimbursements for teacher or military cancellations** of National Defense Student Loans, National Direct Student Loans, and Federal Perkins Loans, contact the Institutional Financial Management Division at 202-708-7741.

(5) For information on **administering your Perkins Loan** fund, contact the Institutional Financial Management Division at 202-708-7741.

IV. Federal Pell Grant Program, Campus-Based Programs, and William D. Ford Federal Direct Loan Program:*

(1) To answer questions on the following Department of Education Payment Management System (ED/PMS) issues, telephone 1-800-654-8341 for the paper or electronic ED/PMS Account Representative who serves your state:

- drawing down federal cash under the Automated Clearing House/Electronic Funds Transfer (ACH/EFT) system or the FEDWIRE system and
- completing the paper, quarterly ED/PMS 272 Reports or electronic, monthly MEERS reports.

* Please note: If your institution participates in the Federal Pell Grant Program or campus-based programs, you would contact the representative for your state if you have problems requesting funds or reporting expenditures for those programs. If your institution participates in the William D. Ford Federal Direct Loan Program as a Level One institution, you would contact the representative for your state if you have problems requesting funds for that program.

The paper (quarterly) ED/PMS Account Representatives and the states they serve are listed below:

Representative	States Served	Telephone: 1-800-654-8341
Vivian Booth	IL, MI, NJ, NY, RI, & Puerto Rico	
Norman Clark	CT, KY, ME, MN, MS, NC, NH, PA, SC & VT	
John Koren	DE, GA, IN, MA, MD, TN, VA, WV, & the Virgin Islands	
Pat Reeves	AK, HI, ID, MO, NM, OK, OR, American Samoa, Guam, the Marshall Islands, & Micronesia	
Selma Robinson	CA & DC	
Girard Straus	AR, IA, LA, ND, NE, NV, OH, WA, WI, & WY	
Serena Smith	AL, AZ, CO, FL, KS, MT, SD, TX, & UT	

The electronic (monthly) MEERS Account Representatives and the states they serve are listed below:

Representative	States Served	Telephone: 1-800-654-8341
Cheryl Carrington	AL, CT, DC, DE, FL, GA, KY, MA, MD, ME, MS, NC, NH, PA, RI, SC, TN, VA, VT, & WV	
Marion Winston	AK, ID, IL, IN, MI, MN, NJ, NY, OH, OR, WA, WI, Puerto Rico, & the Virgin Islands	
Richard Sandberg	AR, AZ, CA, CO, HI, IA, KS, LA, MO, MT, ND, NE, NM, NV, OK, SD, TX, UT, WY, American Samoa, the Commonwealth of Marianas, & Guam	

V. All Title IV Programs:

(1) For **general information and assistance**, contact the Federal Student Aid Information Center at 1-800-433-3243 (1-800-4-FED-AID) between 8 a.m. and 7 p.m. (CT), Monday through Friday.

(2) If your postsecondary institution is located in Region I, II, or III, questions about policy issues, problems, and complaints should be referred to the SFAP Customer Support Inquiry Service by telephoning 1-800-4ED-SFAP. Detailed inquiries may be faxed to the SFAP Customer Support Inquiry Service at 202-260-4199 or referred to the Bulletin Board at 1-800-429-9933.

(3) For questions about **a program review conducted at your postsecondary institution**, contact the Institutional Review Specialist who conducted the review and who serves your U.S. Department of Education region listed below. (If the program review was conducted by Central Office Program Review Staff, contact the Central Office, Washington, DC, at 202-708-8701.)

Region	Address	States Served
Region I	J.W. McCormack Post Office and Courthouse Building Room 502 MS 01-0070 Boston, MA 02109 Telephone: 617-223-9338	CT, MA, ME, NH, RI, & VT
Region II	26 Federal Plaza, Room 3954 MS 02-1081 New York, NY 10278 Telephone: 212-264-4022	NJ, NY, Puerto Rico, & the Virgin Islands
Region III	3535 Market Street, Room 16200 MS 03-2080 Philadephia, PA 19104 Telephone: 215-596-1018	DC, DE, MD, PA, VA, & WV
Region IV	PO Box 1692 MS 04-3080 Atlanta, GA 30301 Telephone: 404-331-5556	AL, FL, GA, KY, MS, NC, SC, & TN
Region V	401 South State Street MS 05-4080 Chicago, IL 60605 Telephone: 312-353-0375	IL, IN, MI, MN, OH, & WI

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Region	Address	States Served
Region VI	1200 Main Tower, Room 2150 MS 06-5080 Dallas TX 75202 Telephone: 214-767-3811	AR, LA, NM, OK, & TX
Region VII	10200 North Executive Hills Blvd. 9th Floor Kansas City, Missouri 64153-1367 Telephone: 816-891-8055	IA, KS, MO, & NE
Region VIII	Federal Building, Suite 310 1244 Speer Boulevard Denver, Colorado 80204-3582 Telephone: 303-844-3676	CO, MT, ND, SD, UT, & WY
Region IX	50 United Nations Plaza, Room 270 MS 09-8080 San Francisco, CA 94102-4987 Telephone: 415-556-5689	AZ, CA, HI, NV, & the Pacific Islands—American Samoa, Guam, Federated States of Micronesia, Palau, Marshall Islands, and the Commonwealth of the Northern Marianas
Region X	915 Second Avenue, Room 3388 MC 10-9081 Seattle, WA 98174-1099 Telephone: 206-220-7820	AK, ID, OR, & WA

(4) For questions about financial statement audit requirements or financial statement presentation, contact:

U.S. Department of Education
Financial Analysis Branch
600 Independence Avenue, SW
Washington, DC 20202-5323
Telephone: 202-401-6485

(5) For **independent audit (compliance audit) assistance**, contact the ED Office of the Regional Inspector General for Audit (RIGA) who serves your state.

Regional Inspector	States Served
Regional Inspector General for Audit Department of Education/OIG 26 Federal Plaza, Room 3739 New York, NY 10278 212-264-8442 FAX: 212-264-5228	CT, DC, DE, MA, MD, ME, NH, NJ, NY, PA, RI, VA, VT, WV, Puerto Rico, & the Virgin Islands
Regional Inspector General for Audit Department of Education/OIG 1200 Main Tower, Room 2130 Dallas, TX 75202 214-767-3826 FAX: 214-767-2024	AL, AR, AZ, CA, FL, GA, HI, KY, LA, MS, NC, NM, NV, OK, SC, TN, TX, & Guam,
Regional Inspector General for Audit Department of Education/OIG Executive Hills North, 9th Floor 10220 N. Executive Hills Boulevard Kansas City, MO 64153 816-891-7981 FAX: 816-374-6703	AK, CO, IA, ID, IL, IN, KS, MI, MN, MO, MT, NE, ND, OH, OR, SD, UT, WA, WI, & WY

(6) To request the status of **ED's final determination for an institution** on the basis of the independent audit report, your written response to the report, and any additional information you provided, contact the Audit Resolution Branch in the U.S. Department of Education at 202-708-8208.

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(7) **To file a written request for an appeal hearing of the final determination** before an administrative law judge, you must file the request no later than 45 days from the date your institution received the determination and send it to:

Mr. Howard E. Fenton, Acting Director
Institution Monitoring Division
U.S. Department of Education
7th and D Streets, SW, Room 3082
Washington, DC 20202-5255

When preparing your request, you must:

- attach it to a copy of the final determination letter,
- identify the issues and facts you dispute,
- state your position together with the pertinent facts and reasons supporting your position, and
- include any documents or records that you wish to introduce into evidence.

(8) To obtain information on what the **final determination appeal process** is and how you may appeal, or to resolve Title IV program questions on your **corrective action plan**, contact the Audit Resolution Branch in the U.S. Department of Education at 202-708-8208.

(9) For general information on the **National Student Loan Data System** (NSLDS), telephone NSLDS Customer Service at 1-800-999-8219 or fax inquiries to the same at 903-457-4878. Or contact the NSLDS Division of ED at 202-708-8125.

(10) For information on transferring to MEERS, contact:

Jay Greenberg
U.S. Department of Education
Financial Payments Group
600 Independence Ave., SW
Room 3321
Washington, DC 20202-4331
202-401-0108

Appendix E: Guide to U.S. Department of Education Programs

Federal Pell Grant Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).
Eligibility Determination	School reviews the Institutional Student Information Record (ISIR) or Student Aid Report (SAR) produced by CPS. If the student has been selected for verification, the school verifies the ISIR or SAR. If there are errors or conflicting information, the school reprocesses the ISIR or SAR. School determines the student's eligibility on the basis of the Expected Family Contribution (EFC).
Award Determination	School determines amount of the student's Pell Grant award on the basis of EFC, cost of attendance (COA), enrollment status, length of enrollment, and defined academic year.
Award Amount	Annual award maximum is $2,340 for 1995-96.
Disbursement to Student	Funds are to be disbursed within either 1 or 3 days after receipt from ED/PMS. School disburses the Pell Grant in at least two payments per academic year. School may disburse directly to the student by check or may credit the student's account for allowable charges owed to the school. Student may authorize the school, in writing, to credit his or her account for other goods and services.
Repayment	No repayment necessary.

Campus-Based Programs

- Federal Supplemental Educational Opportunity Grant (FSEOG) Program
- Federal Work-Study (FWS) Program
- Federal Perkins Loan (FPL) Program

Federal Supplemental Educational Opportunity Grant (FSEOG) Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).
Eligibility Determination	School reviews and verifies Institutional Student Information Record (ISIR) or Student Aid Report (SAR). School determines the student's eligibility on the basis of the Expected Family Contribution (EFC). When selecting FSEOG recipients, a school must make awards first to applicants with exceptional need and give priority to applicants who receive Federal Pell Grants.
Award Determination	School determines amount of FSEOG award according to the student's financial need, school packaging policy, and available funds.
Award Amount	The annual maximum award amount is $4,000 in 1995-96, except in the case of study abroad, where up to $400 more a year may be awarded.
Disbursement to Student	Funds are to be disbursed within either 1 or 3 days after receipt from ED/PMS. School disburses the FSEOG in at least two payments per academic year. School may disburse directly to the student by check or credit the student's account for allowable charges owed to the school. Student may authorize the school, in writing, to credit his or her account for other goods and services.
Repayment	No repayment necessary.

Federal Work-Study (FWS) Program

Student Application Method

Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).

Eligibility Determination

School reviews and verifies Institutional Student Information Record (ISIR) or Student Aid Report (SAR).

School determines the student's eligibility on the basis of the Expected Family Contribution (EFC).

Award Determination

School determines amount of student's FWS award on the basis of student's financial need, school packaging policy, and available funds.

Award Amount

There is no required annual award amount. However, the award amount is an estimate of total wages to be earned during an award year at an hourly rate that must equal or exceed the federal minimum wage.

Disbursement to Student

Funds are to be disbursed within either 1 or 3 days after receipt from ED/PMS. School pays the student directly by check or by crediting the student's account at least once a month. Only the nonfederal share of wages may be credited to the student's account.

The FWS federal/nonfederal share must be calculated and paid monthly. The school should not use just federal funds each month and then use the nonfederal funds at the end of the school year.

Off-campus employers pay FWS student employees at least once a month.

Repayment

No repayment is necessary.

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Federal Perkins Loan (FPL) Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).
Eligibility Determination	School reviews and verifies the Institutional Student Information Record (ISIR) or Student Aid Report (SAR). School determines the student's eligibility on the basis of the Expected Family Contribution (EFC).
Award Determination	School determines amount of Perkins award according to the student's financial need, school packaging policy, and available funds.
Award Amount	Annual maximum awards of $3,000 for undergraduate students (cumulative amount is $15,000) and $5,000 for graduate or professional students (cumulative amount is $30,000, including undergraduate loan amounts). At schools with the Expanded Lending Option (ELO), amounts differ—maximum award of $4,000 for undergraduate students (cumulative amount is $20,000) and $6,000 for graduate/professional students (cumulative amount is $40,000, including undergraduate loan amounts) and a cumulative amount of $8,000 for all other students.
Disbursement to Student	Funds are to be disbursed within 1 or 3 days after receipt from ED/PMS. School disburses the Perkins Loan in at least two payments per academic year. School may disburse directly to the student or credit the student's account for allowable charges owed to the school. Student may authorize the school, in writing, to credit his or her account for other goods and services.
Repayment	Repayment begins nine months after the student graduates or drops below half-time enrollment. There is a minimum monthly payment of $40 and up to a 10-year repayment period. The interest rate during repayment is 5 percent. No interest is charged while the student is enrolled at least half time.

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Federal Family Education Loan Program

- Federal Stafford Loan (Subsidized) Program
- Unsubsidized Federal Stafford Loan Program
- Federal PLUS Loan Program (for parents)

Federal Stafford Loan (Subsidized) Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS). Student obtains a loan application from a lender, school, or guaranty agency, completes borrower's section, and submits the application to the school.
Eligibility Determination	School reviews and verifies the Institutional Student Information Record (ISIR) or Student Aid Report (SAR) and other eligibility requirements, certifies the school section of the loan application, and forwards the application to the lender. Lender approves the loan and forwards the application to the appropriate guaranty agency for guarantor's approval.
Award Determination	School determines amount of Federal Stafford Loan on the basis of the student's financial need, Expected Family Contribution (EFC), cost of attendance (COA), estimated financial assistance (EFA), enrollment status, length of enrollment, and defined academic year. Award cannot exceed the COA minus EFC minus EFA.
Award Amount	Annual award maximums for undergraduate students are: first year $2,625, second year $3,500, and third year and beyond, $5,500 per academic year (cumulative amount for an undergraduate student is $23,000). Annual award maximum for a graduate or professional student is $8,500 per academic year (cumulative amount for graduate or professional students, including undergraduate loan amounts, is $65,500).

Disbursement to Student

Lender disburses loan to the school, by electronic funds transfer (EFT), master check, or check made co-payable to the student and school.

School obtains the student's endorsement (if necessary), credits the student's account for allowable charges owed the school, and delivers remaining proceeds to the student.

Repayment

Repayment begins six months after the student graduates, leaves school, or drops below half-time enrollment.

There are three repayment plans: Fixed Repayment Plan, Graduated Repayment Plan, and Income-Sensitive Repayment Plan. The monthly payment varies on the basis of the plan selected by the borrower; however, there is an annual minimum payment of $600 and up to a 10-year repayment period, excluding periods of deferment and forbearance. The interest rate is variable and may change July 1 of each year, but it will never exceed 8.25 percent.

The U.S. Department of Education pays the interest on the loan while the student is in school, during grace periods, and during authorized periods of deferment.

Unsubsidized Federal Stafford Loan Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS). Student obtains a loan application from a lender, school, or guaranty agency, completes the borrower's section, and submits the application to the school.
Eligibility Determination	School reviews and verifies Institutional Student Information Record (ISIR) or Student Aid Report (SAR), and other eligibility requirements, certifies school section of loan application, and forwards the application to the lender. Lender approves loan and forwards application to the appropriate guaranty agency for guarantor's approval.
Award Determination	School determines amount of Unsubsidized Stafford Loan on the basis of student's cost of attendance (COA), estimated financial aid (EFA), enrollment status, length of enrollment, and defined academic year. Award cannot exceed the COA minus EFA.
Award Amount	Annual award maximums for undergraduate students are: first year $2625, second year $3,500, and third year and beyond, $5,500 per academic year (cumulative amount is $23,000). Additional unsubsidized loan amounts may be borrowed by independent undergraduates and dependent undergraduates whose parents cannot obtain a PLUS loan. In these cases, the additional amounts that may be borrowed are: first year and second year $4,000; third and beyond, $5,000 per academic year (cumulative amount is $23,000). Annual award maximum for a graduate or professional student is $18,500 per academic year, of which at least $10,000 must be in unsubsidized loans (cumulative amount for a graduate or professional student, including undergraduate loan amount, is $138,500.

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Disbursement to Student

Lender disburses loan to the school, by electronic funds transfer (EFT), master check, or check made co-payable to the student and school.

School obtains the student's endorsement (if necessary), credits the student's account for allowable charges owed to the school, and delivers remaining proceeds to the student.

Repayment

Repayment begins six months after the student graduates, leaves school, or drops below half-time enrollment.

There are three repayment plans: Fixed Repayment Plan, Graduated Repayment Plan, and Income-Sensitive Repayment Plan. The monthly payment varies on the basis of the plan selected by the borrower; however, there is an annual minimum payment of $600 and up to a 10-year repayment period, excluding periods of deferment and forbearance. The interest rate is variable and may change July 1 of each year, but it will never exceed 8.25 percent.

The U.S. Department of Education **does not pay** the interest on the loan for any period.

Federal PLUS Loan Program (for parents)

Parent Application Method	Parent obtains a loan application from a lender, school, or guaranty agency. Parent completes borrower's section, student completes student section, and parent submits the application to the school.
Eligibility Determination	School reviews eligibility requirements and certifies school section of loan application. Parent cannot have an adverse credit history and remain eligible, unless the lender determines that extenuating circumstances exist. If parent does not pass a lender's credit check, he or she might be able to receive a loan if he or she can obtain an endorser (someone who agrees to co-sign the loan and promises to repay the loan if the parent fails to do so).
Award Determination	School determines amount of PLUS loan on the basis of the student's cost of attendance (COA), estimated financial assistance (EFA), enrollment status, and length of enrollment.
Award Amount	There is no annual award amount. However, the award cannot exceed the COA minus EFA for the enrollment period.
Disbursement to Parent	Lender disburses the loan to the school by electronic funds transfer (EFT), master check, or check made co-payable to the parent and school. School obtains parent's endorsement (if necessary) and either credits the student's account for allowable charges owed the school and delivers remaining proceeds to the parent *or* releases the check to the parent.
Repayment	Repayment begins 60 days after the loan is fully disbursed, unless deferment conditions apply. There is a minimum annual payment of $600 and up to a 10-year repayment period. The interest rate is variable and may change July 1 of each year, but it will never exceed 9 percent.

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William D. Ford Federal Direct Loan Program

- Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) Program
- Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan) Program
- Federal Direct PLUS Loan (Direct Plus Loan) Program (for parents)

Federal Direct Stafford/Ford Loan (Direct Subsidized Loan) Program

Student Application Method

Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).

Eligibility Determination

School reviews and verifies the Institutional Student Information Record (ISIR) or Student Aid Report (SAR) and other eligibility requirements.

Award Determination

School determines amount of Direct Subsidized Loan on the basis of the student's financial need, Expected Family Contribution (EFC), cost of attendance (COA), estimated financial assistance (EFA), enrollment status, length of enrollment, and defined academic year. Award cannot exceed the COA minus EFC minus EFA.

Award Amount

Annual award maximums for undergraduate dependent students are: first year $2625, second year $3,500, and third year and beyond, $5,500 per academic year (cumulative amount is $23,000).

Annual award maximum for a graduate or professional student is $8,500 per academic year (cumulative amount for a graduate or professional student, including undergraduate loan amount, is $65,500).

All award amounts are less any amounts received under the Federal Stafford Loan Program.

Disbursement to Student

School disburses directly to the student's account for allowable charges owed the school and delivers the remaining proceeds to the student. A school that does not have student accounts would deliver the entire installment directly to the student. The school issues a check or initiates an electronic funds transfer (EFT) to a bank account designated by the student, *or* dispenses cash for which a school obtains a signed receipt from the student, *or* credits the student's account.

Repayment

Repayment begins six months after the student graduates, leaves school, or drops below half-time enrollment.

There are four repayment plans: Standard Repayment Plan, Extended Repayment Plan, Graduated Repayment Plan, and Income Contingent Repayment Plan. The monthly payment varies on the basis of the plan selected by the borrower. Similarly, the payment period can vary from 10 to 30 years on the basis of the plan selected and the amount of the loan. The interest rate is variable and may change July 1 of each year, but it will never exceed 8.25 percent.

The U.S. Department of Education **does not charge** interest on the loan while the student is in school, during grace periods, and during authorized periods of deferment.

Federal Direct Unsubsidized Stafford/Ford Loan (Direct Unsubsidized Loan) Program

Student Application Method	Student submits the Free Application for Federal Student Aid (FAFSA) to the U.S. Department of Education's Central Processing System (CPS).
Eligibility Determination	School reviews and verifies the Institutional Student Information Record (ISIR) or Student Aid Report (SAR) and other eligibility requirements.
Award Determination	School determines amount of Direct Unsubsidized Loan on the basis of cost of attendance (COA), estimated financial assistance (EFA), enrollment status, length of enrollment, and defined academic year. Award cannot exceed the COA minus EFA.
Award Amount	Annual award maximums for undergraduate students are: first year \$2,625, second year \$3,500, and third year and beyond, \$5,500 per academic year less the amount received in subsidized loans (cumulative total is \$23,000). Additional unsubsidized loan amounts may be borrowed by independent undergraduates and dependent undergraduates whose parents are unable to obtain PLUS loans. In these cases, the additional amounts that may be borrowed are: first year and second year \$4,000; third year and beyond, \$5,000 per academic year (cumulative amount is \$23,000). Annual award maximum for a graduate or professional student is \$18,500 (at least \$10,000 of this amount must be in unsubsidized loans) per academic year. (Cumulative amount for a graduate or professional student, including undergraduate loan amount, is \$138,500.) All amounts are less any amounts received under the Federal Stafford Loan Program.

Disbursement to Student

School disburses directly to the student's account for allowable charges owed to the school and delivers the remaining proceeds to the student. A school that doesn't use student accounts delivers all proceeds directly to the student. The school issues a check or initiates an electronic funds transfer (EFT) to a bank account designated by the student; *or* dispenses cash for which a school obtains a signed receipt from the student; *or* credits the student's account.

Repayment

Repayment begins six months after the student graduates, leaves school, or drops below half-time enrollment. There are four repayment plans: Standard Repayment Plan, Extended Repayment Plan, Graduated Repayment Plan, and Income Contingent Repayment Plan. The monthly payment varies on the basis of the plan selected by the borrower. Similarly, the payment period can vary from 10 to 30 years on the basis of the plan selected and the amount of the loan. The interest rate is variable and will change July 1 of each year, but it will never exceed 8.25 percent.

Interest on a Direct Unsubsidized Loan is charged throughout the life of the loan—including while the student is in school, during grace periods, and during authorized periods of deferment.

Federal Direct PLUS Loan (Direct PLUS Loan) Program (for parents)

Parent Application Method	Parent obtains a Direct PLUS Loan application from the school, completes the application and promissory note, and submits the application to the school.
Eligibility Determination	School reviews and verifies the Institutional Student Information Record (ISIR) or Student Aid Report (SAR) and other eligibility requirements. Parent cannot have an adverse credit history and remain eligible. If parent does not pass ED's credit check, he or she might be able to receive a loan if he or she can obtain an endorser (someone who agrees to co-sign the loan and promises to repay the loan if the parents fail to do so) or if the parent can document to the satisfaction of the U. S. Department of Education that extenuating circumstances exist.
Award Determination	School determines amount of Direct PLUS Loan on the basis of the student's cost of attendance (COA), estimated financial assistance (EFA), enrollment status, and length of enrollment.
Award Amount	There is no annual award amount. However, the award cannot exceed the COA minus the student's EFA for the enrollment period.
Disbursement to Parent	School disburses directly to the student's account for allowable charges owed the school and delivers remaining proceeds to the parent. The school issues a check or initiates an electronic funds transfer (EFT) to a bank account designated by the parent. If the school doesn't use student accounts, the parent can authorize the student to receive excess proceeds.
Repayment	Repayment begins on the day that the loan is fully disbursed, unless a deferment applies and continues for up to a 10-year repayment period. The interest rate may change July 1 of each year, but it will never exceed 9 percent. There are three repayment plans: Standard Repayment Plan, Extended Repayment Plan, and Graduated Repayment Plan.

Appendix F: Basic Accounting for Non-Title-IV Specialists

This appendix provides a brief overview of general accounting and fund accounting basics for fiscal officers new to Title IV. Additional information can be found in the *Financial Accounting and Reporting Manual for Higher Education* (FARM), produced by the National Association of College and University Business Officers (NACUBO). NACUBO and its regional associations sponsor workshops on "Basic Fund Accounting" and "Intermediate Fund Accounting" for new school business officers and other interested individuals. For information on the FARM manual and workshops, contact:

National Association of College and University Business Officers
One Dupont Circle
Washington, DC 20036
or
202-861-2500

Management and Information System (MIS) and Accounting Information System (AIS)

Most institutions have a Management Information System (MIS), an electronic system that generally consists of an integrated set of computer-based and manual components. A school's MIS is established to facilitate operational functions and support management decision-making. The MIS provides information that managers can use in planning and providing financial oversight for the institution.

Most institutions also have an Accounting Information System (AIS). An AIS is a specialized subsystem of a MIS that collects, processes, and reports information related to financial transactions. An AIS must meet both internal and external information needs. The basis of an AIS is the chart of accounts.

Chart of Accounts

Institutions need to consider their fund accounting needs, particularly with respect to restricted funds, when designing a chart of accounts. The chart of accounts should accurately reflect current organization and programs and should have the flexibility to accommodate future changes.

A chart of accounts has two components: (1) an account number that usually follows a standard structure and (2) a definition, by name, of the account code. The account code structure is used for all accounts in the AIS. This structure is usually composed of several segments, each segment denoting a specific classification. An example of an account code structure follows:

XX	XX	XX	XXX
Fund	Department	Program	Object Code

Each segment of an account code has a meaning in the AIS:

- The first segment identifies the major fund group, such as current funds, endowment funds, or physical plant funds.

- The second segment identifies the specific organizational unit, such as administration and finance department, academic department, and so on.

- The third segment identifies the type of program, such as remedial studies or a specific research project.

- The fourth segment is the object code, which identifies specific account classifications, such as asset, liability, revenue, or expenditure.

When this code structure is developed and all relevant combinations of segments are compiled, the result is a complete chart of accounts. In addition to the account code number, specific accounts have names that help define their meanings.

Once the chart of accounts is developed, the AIS can be used to record financial transactions. All financial transactions should be classified by transaction type and reported with similar transactions. The usual types are:

- journal entries,

- cash receipts,

- cash disbursements, and

- payroll transactions.

For each of these transaction types, a "journal" should exist that records and maintains it. Each recorded transaction should include the date of entry, transaction amount, and description of the transaction, and each entry should be self-balancing.

Every transaction entered into the system should be supported by source documentation identifying the origin of the transaction. For example, common source documents for a cash receipt entry are a copy of the check and the corresponding deposit slip. All source documentation should include reference to the accounting entry and should be maintained in the files. Record-retention requirements for financial aid transactions are addressed in Chapter 2 of this book.

Each transaction that occurs in the AIS has its own processing procedures. For example, a cash receipt is processed differently from a cash disbursement. A cash receipt transaction requires recording the receipt, preparing the deposit, and posting to the cash receipts journal; a cash disbursement transaction requires writing the check, recording the check in the check register, and posting to the cash disbursement journal.

Regardless of the processing procedure, the final step is always to record the transaction in the appropriate ledger. All of these transactions are eventually recorded in the general ledger, usually in summary fashion, on a regular basis (typically weekly or monthly, depending on the transaction volume and whether the accounting system is automated or manual).

Subsidiary ledgers are used to maintain detailed information about transactions. They provide a level of detail that is not included in the general ledger. The most common subsidiary ledgers are:

- accounts payable — to record accrued expenses,
- accounts receivable — to record accrued receivables, and
- purchasing — to record purchases and encumbrances.

Subsidiary ledgers are posted to the general ledger in summary fashion on a regular basis. When all posting is complete for an accounting period, the cumulative debit and credit entries in the general ledger must be equal. This process is known as preparing a trial balance. Once a trial balance has been prepared, reports can be generated using the information recorded in the general ledger and its related subsidiary ledgers.

The general chart of accounts and their normal balance is indicated by a "+" in the following chart. ("DR" stands for debit, and "CR" stands for credit. See page F-4.)

ASSET ACCTS	
DR	CR
+	—

LIABILITY ACCTS	
DR	CR
—	+

CAPITAL ACCTS	
DR	CR
—	+

INCOME ACCTS	
DR	CR
—	+

EXPENSE ACCTS	
DR	CR
+	—

Fund Accounting

The fund accounting concepts described in this section are based on the historical methods used by all institutions of higher education. However, starting with fiscal years beginning after December 15, 1994, private nonprofit and for-profit educational institutions' accounting will be changing to comply with Statement 117 of the Financial Accounting Standards Board (FASB). At the time this book was written, public nonprofit institutions governed by the Governmental Accounting Standards Board (GASB) continue to use the concepts described in this section.

A fund is defined as a fiscal and accounting entity, composed of a self-balancing set of accounts that records cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated to carry on specific activities or attain certain objectives in accordance with special regulations or limitations. Fund accounting is defined as a method of segregating assets into categories according to the restrictions placed on their use by the funding source. To ensure observance of individual limitations and restrictions placed on the use of the funds, a separate account must be maintained for each of the many different funds, but the funds are generally combined into six groups for reporting purposes. The six fund groups widely used in fund accounting are:

- endowment and similar funds,
- annuity and life income funds,
- current funds (unrestricted and restricted),
- agency funds,
- loan funds, and
- physical plant funds.

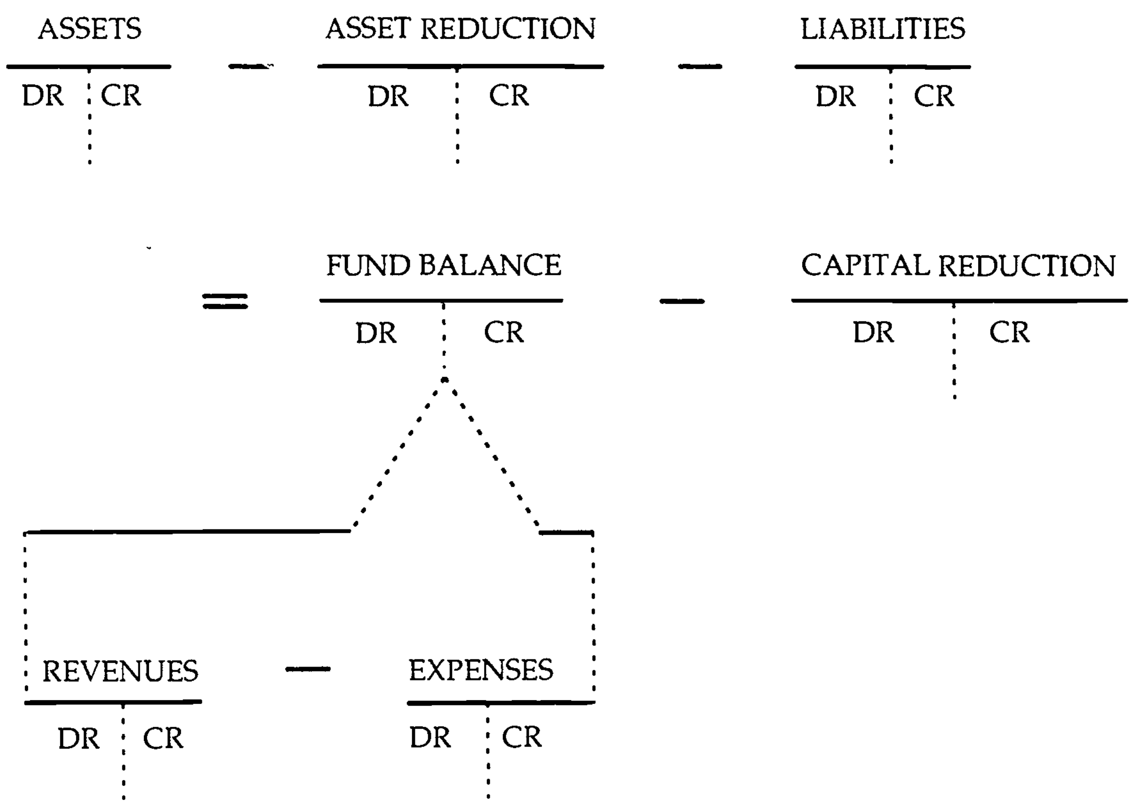
An institution's Federal Pell Grant, Federal Direct Loan, Federal Supplemental Educational Opportunity Grant, and Federal Work-Study accounts would be listed in the "Current Funds, Restricted" category on the balance sheet. The loan programs would be listed in the loan funds category on the balance sheet. Refer to Chapter 5 of this book for a copy of a balance sheet.

The other two financial statements commonly used by colleges and universities, other than the balance sheet, are the "Statement of Changes in Fund Balances" and the "Statement of Current Funds Revenues, Expenditures, and Other Changes."

Normal Rules for Debiting and Crediting Accounts

Debit (DR) means left in accounting and credit (CR) means right. The left side of an account is called the debit side; the right side is called the credit side. A debit entry (or simply "debit") would be recorded on the left side of an account; a credit entry (or "credit") would be recorded on the right side. The diagram that follows illustrates the normal rules for debiting and crediting accounts.

NORMAL RULES FOR DEBITING AND CREDITING ACCOUNTS



The fund balance is the value of excess assets over liabilities in any fund group or subgroup.

This is a quick review of basic accounting and does not provide a complete guide to all required rules and regulations that impact financial aid fund accounting for postsecondary schools, colleges, and universities. The information presented here, in tandem with the information in Chapter 5 of this book, provides a general background for most of the basics. However, as mentioned in the beginning of this appendix, those responsible for financial aid accounting should become familiar with the FARM and consider attending NACUBO fund accounting workshops. Fiscal officers handling Title IV accounts can also request assistance from the chief financial officer or the controller at their institutions, an auditing firm, or even other institutions.

The following pages provide sample journal entries constructed on the basis of the chart of accounts listed in Chapter 5 of this book.

Date	Account Title and Description	GL	DR	CR	Purpose
	ED/PMS Journal				
x/x/x	Cash Control, ED/PMS	1-1	xxxx		To record receipt of cash advances from ED/PMS.
	Accounts Receivable, ED/PMS	1-2		xxxx	
x/x/x	Accounts Receivable, ED/PMS	1-2	xxxx		To record distribution of funds to the various programs or, in the case of the Perkins Loan Program, the federal share being transferred in.
	Cash Control, ED/PMS	1-1		xxxx	An entry to a subsidiary ledger should also be posted.
	NFC Journal				
x/x/x	Due From School	1-2	xxxx		To record an expenditure disallowance billing by NFC. The subsidiary ledger account should also be posted.
	Accounts Payable, NFC	3-1		xxxx	

Sample Journal Entries-continued

x/x/x	Accounts Payable, NFC	3-1	xxxx		To record remittance to NFC of the billing for the expenditure disallowance.
	Cash Unremitted to NFC	1-1		xxxx	
	Federal Pell Grant Journal				
x/x/x	Cash, Federal Pell Grants	1-1	xxxx		To record funds transferred from ED/PMS for amounts disbursed to students.
	Transfer from ED/PMS - Pell	6-1		xxxx	
x/x/x	Student Grants Paid - Federal Pell	7-1	xxxx		To record Pell Grants paid to students.
	Cash, Federal Pell Grants	1-1		xxxx	
x/x/x	ACA Paid to Institution	7-2	xxxx		To record administrative costs of the Pell Grant Program.
	Cash, Federal Pell Grants	1-1		xxxx	
x/x/x	Transfer from ED/PMS - Pell	6-1	xxxx		To close the revenue account to the expense accounts. The balances in these accounts after this year-end entry should be zero.

	Federal Reimbursement of Pell Administrative Cost Allowance	6-2	xxxx		
	Student Grants Paid - Federal Pell	7-1		xxxx	
	ACA Paid to Institution	7-2		xxxx	

Federal Supplemental Educational Opportunity Grant Journal

x/x/x	Cash, FSEOG	1-1	xxxx		To record transfer of funds from ED/PMS Cash Control, institutional cash.
	Transfer from ED/PMS - FSEOG	6-1		xxxx	
	Institution's Cash Contribution	6-2		xxxx	
	Student Grants - FSEOG from Non-cash Contribution	7-2		xxxx	To record non-cash contributions and expenses to the FSEOG program.
	Inst.'s Non-cash Contribution	6-3		xxxx	
x/x/x	Student Grants Paid - FSEOG	7-1	xxxx		To record grants paid to students.
	Cash, FSEOG	1-1		xxxx	
x/x/x	ACA Paid to Institution	7-3	xxxx		To record ACA paid to institution.
	Cash, FSEOG	1-1		xxxx	

Sample Journal Entries-continued

x/x/x	Cash, FSEOG	1-1	xxxx		To record a refund of grants previously paid to students. The ACA would be adjusted on the next payment to the institution.
	Student Grants Paid - FSEOG	7-1		xxxx	
x/x/x	Transfer from ED/PMS - FSEOG	6-1	xxxx		To close the revenue account to the expense account. The balances should be zero after year-end closing entry.
	Inst.'s Cash Contribution	6-2	xxxx		
	Inst.'s Non-cash Contribution	6-3	xxxx		
	Student Grants Paid - FSEOG	7-1		xxxx	
	Student Grants - FSEOG from Non-cash Contribution	7-2		xxxx	
	ACA Paid to Institution	7-3		xxxx	

Federal Work-Study Program Journal

x/x/x	Cash, FWS	1-1	xxxx		To record funds transferred from ED/PMS Cash Control for the federal share plus the ACA.
	Transfer from ED/PMS - FWS	6-1		xxxx	

Sample Journal Entries-continued

x/x/x	Cash, FWS	1-1	xxxx		To record funds transferred for the institution's share of payroll and payroll taxes.
	Institution's Cash Contribution	6-2		xxxx	
	OR				
x/x/x	Student Wages - On Campus, Non-cash Nonfederal Share (Memo Account)	7-2	xxxx		To record non-cash contributions and the related non-cash wages for the institution's share of the FWS payroll.
	Institution's Non-cash Contribution (Memo Account)	6-3		xxxx	
x/x/x	Cash, FWS	1-1	xxxx		To record cash received from off-campus non-profit employers for their share of the payroll and payroll taxes.
	Off-Campus Empl.'s Cont-NFP	6-4		xxxx	
	Empl.'s Payroll Taxes Payable	3-6		xxxx	
x/x/x	Student Wages - On Campus	7-1	xxxx		To record federal share of on-campus wages, net cash paid, gross off-campus wages, and amounts withheld from student wages.
	Student Wages-Off Campus-NFP	7-3	xxxx		

	Cash, FWS	1-1		xxxx	
	Federal Income Taxes Withheld	3-1		xxxx	
	Social Security Taxes Withheld	3-2		xxxx	
	State Income Taxes Withheld	3-3		xxxx	
	Other Withholdings	3-4		xxxx	
x/x/x	Employer's Payroll Taxes Payable	3-6	xxxx		To record payments to various government agencies for payroll taxes payable and payroll taxes withheld. This would normally be recorded in several entries as each agency is paid.
	Federal Income Taxes Withheld	3-1	xxxx		
	Social Security Taxes Withheld	3-2	xxxx		
	State Income Taxes Withheld	3-3	xxxx		
	Other Withholdings	3-4	xxxx		
	Cash, FWS	1-1		xxxx	
x/x/x	Regular JLD Expense Paid	7-5	xxxx		To record payment to institution for the federal share of JLD program expenses.
	Cash, FWS	1-1		xxxx	

Sample Journal Entries-continued

x/x/x	Transfer from ED/PMS - FWS	6-1	xxxx		To close out the revenue and expense accounts for the award year. The balances in these accounts after this year-end closing entry should be zero.
	Institution's Cash Contribution	6-2	xxxx		
	Institution's Non-cash Contribution	6-3	xxxx		
	Off-Campus Employer's Contrib.	6-4	xxxx		
	Student Wages - On Campus, Cash	7-1		xxxx	
	Student Wages - On Campus, Non-cash Nonfederal Share (Memo Account)	7-2		xxxx	
	Student Wages - Off Campus Public/Private Nonprofit	7-3		xxxx	
	Student Wages - Off Campus Private For-Profit	7-4		xxxx	
	Reg. JLD	7-5		xxxx	
	ACA Paid to Institution	7-6		xxxx	

Sample Journal Entries-continued

Federal Perkins Loan Journal

x/x/x	Cash, Perkins Loans-ED/PMS-FCC	1-1	xxxx		To record funds transferred from ED/PMS Cash Control account.
	Fund Transfer ED/PMS-FCC	6-1		xxxx	
x/x/x	Funds Advanced to Students	1-2	xxxx		To record advances to students.
	Cash, Perkins	1-1		xxxx	
x/x/x	Cash, Perkins	1-1	xxxx		To record principal and interest collected.
	Loan Principal Collected	2-1		xxxx	
	Interest Earned on Loans	6-3		xxxx	
x/x/x	Cost of Defaulted-Assign to Feds	7-18	xxxx		To record loan principal and interest assigned to and accepted by the federal government.
	Defaulted Loan Principal	2-2		xxxx	
	Defaulted Loan Interest	6-3		xxxx	
x/x/x	Cost of Loan P & I Cancelled-Death	7-9	xxxx		To record cancellation of principal and interest due to death.
	Loan Principal Canc.-Death	2-13		xxxx	
	Loan Interest Canc.-Death	6-3		xxxx	

Sample Journal Entries-continued

x/x/x	Cash, Perkins	1-1	xxxx		To record collection of account previously written off.
	Other Costs or Losses	7-19		xxxx	
x/x/x	Repayments to Government	6-7	xxxx		To record return of a portion of the Perkins fund capital to the federal government.
	Cash, Perkins	1-1		xxxx	
x/x/x	ACA Paid to Institution	7-2	xxxx		To record payment of ACA to institution.
	Cash, Perkins	1-1		xxxx	
x/x/x	Cash, Perkins	1-1	xxxx		To record reimbursement from the federal government on cancelled loans.
	Reimb-Canc. Loans-7/1/72-After	6-6		xxxx	
x/x/x	Litigation Expenses	7-1	xxxx		To record litigation expenses paid on outstanding loans.
	Cash, Perkins	1-1		xxxx	

Sample Journal Entries-continued

x/x/x	Cash, Perkins	1-1	xxxx		To record receipt of net funds from collection agency reflect ing total principal and interest collected, collection agency's commission, and resulting net to cash.
	Other Collection Expenses	7-3	xxxx		
	Loan Principal Collected	2-1		xxxx	
	Interest Earned on Loans	6-3		xxxx	
x/x/x	Cash, Perkins	1-1	xxxx		To record a return of funds advanced to a student. This could be from voluntary payment by the student or from a refund by the institution.
	Funds Advanced to Students	1-2		xxxx	
x/x/x	Cash, Perkins	1-1	xxxx		To record the receipt of gross funds from a collection agency (when costs are paid by borrower).
	Loan Principal Collected	2-1		xxxx	
	Interest Earned on Loans	6-3		xxxx	
	Other Collection Costs	7-3		xxxx	
x/x/x	Other Collection Costs	7-3	xxxx		To record commission paid to collection agency from gross remittances.
	Cash, Perkins	1-1		xxxx	

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