

Appendix P. Direct Loan Reconciliation

Comparing Cash Summary:

Once the school receives the DLSAS, the first step in monthly reconciliation is to compare the ending cash balance, cash receipts, excess cash, and disbursement totals from the DLSAS cash summary to each corresponding total in the school's Direct Loan System and business office. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records--Chart 1

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Cash Summary</p> <p>Contains totals of:</p> <p style="padding-left: 20px;">Beginning Cash Balance</p> <p style="padding-left: 20px;">Cash Receipts (Drawdowns)</p> <p>* Excess Cash Returned</p> <p style="padding-left: 20px;">Net Booked Disbursements</p> <p style="padding-left: 20px;">Net Booked Adjustments</p> <p style="padding-left: 20px;">Ending Cash Balance</p> <p style="padding-left: 20px;">Net Unbooked Loan Detail</p>	<p>* School Business Office records/systems showing cash balances</p> <p style="text-align: center;">AND/OR</p> <p>Direct Loan System Cash Summary Reports (named "List-Cash" in EDExpress)</p>	<p>Discrepancies in totals of:</p> <p style="padding-left: 20px;">Drawdowns</p> <p style="padding-left: 20px;">Excess cash</p> <p style="padding-left: 20px;">Disbursements</p> <p style="padding-left: 20px;">Adjustments</p> <p style="padding-left: 20px;">Ending cash balance</p>

If the school's internal systems match all the totals on the DLSAS cash summary, the reconciliation has been successfully completed.

If the cash balances do not match, the school has not reconciled and must continue with the reconciliation process.

There may be discrepancies in one or more areas between the DLSAS and the school's records. The initial analysis of the cash summary information should narrow the field for detailed analysis to those areas in which the school has identified discrepancies.

Each of the three systems-the school's business office system, the school's Direct Loan System, and the LOC-may account for cash receipts, excess cash, and disbursement transactions in different ways. Schools must take this into account when conducting their reconciliations.

Comparing Cash Detail:

If the school cannot reconcile the balances on the cash summary report with its internal records, the next step is for the school to compare the DLSAS cash detail records to the information in its Direct Loan and business office systems. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 2

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Cash Detail</p> <p>Includes detailed list of:</p> <p>Drawdown transactions reported by GAPS</p> <p>Returns of excess cash received by LOC</p>	<p>Business Office records:</p> <p>Bank Statements</p> <p>Canceled checks</p> <p>Ledgers</p> <p>AND/OR</p> <p>Direct Loan System Cash Detail Reports (if available)</p>	<p>Differences in dollar amounts</p> <p>Individual cash receipts or returns of excess cash not recorded for that month because of timing issues</p> <p>Cash receipts or excess cash not recorded in one or more systems</p> <p>Cash receipts or excess cash recorded in the wrong year in any system</p> <p>Returns of excess cash recorded as a payment in one or more systems</p>

If, after reviewing the DLSAS cash detail records, the school is able to resolve the accounting discrepancies, the reconciliation has been successfully completed.

If, after reviewing the cash detail records, the discrepancies are not resolved, the school will need to pursue other resources (for example, the DLSAS loan detail) to continue the reconciliation process.

Comparing Loan Detail:

One of the resources available to schools during the reconciliation process is the optional DLSAS loan detail report. Schools choosing not to receive the loan detail records with their monthly DLSAS can still request reports on an as-needed basis by contacting their LOC customer service representative.

Schools may choose to receive all loan detail records or only the unbooked records.

The school should compare the DLSAS loan detail records to the information in its Direct Loan and business office systems. The following chart summarizes this process:

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 3

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
<p>Loan Detail (Optional)</p> <p>Includes detailed list of:</p> <p>Booked disbursement transactions Disbursements Adjustments</p>	<p>List of disbursement transactions with all three status flags- origination, promissory note, and disbursements (named "Measurement-Booked Status" in EDExpress</p>	<p>Transactions with any of the three status flags not in "A" status</p>
<p>Unbooked disbursement transactions Disbursements Adjustments</p>	<p>30-Day Warning Report Messages class (DIWR??OP). Question marks represent last two digits of the award year</p>	<p>Loans which are missing a necessary component to book the loan (missing a loan origination record, promissory note, or first disbursement)</p>

How to Compare the Direct Loan School Account Statement (DLSAS) and School Records -- Chart 3 (CONTINUED)

<i>DLSAS</i>	<i>Compare to School's</i>	<i>Look For</i>
	Actual Disbursement Status Report (named "List-Actual Disbursements" in EDEExpress)	Any disbursements not in "A" status: "R" - Batch and transmit "B" - Ensure it was transmitted and/or pull in acknowledgement "E" - Resolve the problem and batch and transmit
	Pending Disbursement Report (named "List-Anticipated Disbursements" in EDEExpress)	Unrecorded Disbursements
	Business Office Disbursement Records (credits to student accounts)	Any discrepancies between internal disbursement records, DLSAS, and Direct Loan System
	Origination Status Report (named "List-Loans" in EDEExpress)	Loan origination records not in "A" status
	Promissory Note Status Report (named "List-Promissory Note" in EDEExpress)	Notes not in "A" status: P = Printed, not signed S = Signed, with no corresponding manifest batch ID and/or not acknowledgement X = Pending, no accepted origination record

Note: Mainframe schools and third-party software vendors may develop reports similar to those available through EDEExpress.

If, after reviewing the DLSAS cash detail and loan detail records, the school is able to resolve the remaining accounting discrepancies between the DLSAS and its Direct Loan and business office systems, the reconciliation has been successfully completed.

There are many possible reasons for apparent discrepancies between the school's internal systems and the DLSAS cash and loan detail records. Some examples include:

- Timing of drawdowns,
- Timing of booked loans
- Drawdowns allocated to the wrong academic year,
- Drawdowns split between academic years,
- Excess cash in the wrong year or disbursed to a student in a different academic year,
- Unsent/unacknowledged disbursement batches,
- Disbursements recorded in the school's business office system but no in its Direct Loan System,
- Excess cash returned that should have been a payment,
- A payment sent that should have been excess cash,
- School data loss, and
- Unbooked records.

In the reconciliation process, cash detail information should generally be compared directly to the school's internal business office records, such as bank statements and canceled checks. Cash reports may be run from the school's Direct Loan System and business office records.

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