

U.S. Department of Education

**A Review of Cash
Management Issues**

NASFAA
national conference 2000
Washington, DC - July 9-12

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A Review of Cash Management Issues



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Program Development Division

July 9-12, 2000



Cash Management Essentials



- ★ Cash Management 101 (The Basics)
- ★ Cash Management in a World of Technology
- ★ The Challenges of Returning Funds
- ★ The Future of Cash Management

Cash Management 101

- ★ What IS Cash Management?
- ★ Show Me The Money...
- ★ The Truth About Disbursements
- ★ Notices and Authorizations
- ★ Excess Cash: It's Not the Lotto
- ★ FFEL Program Funds
- ★ Timelines



What IS Cash Management?



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True or False?

Cash Management IS:

- ★ Identifying the resources necessary to fund your award packages.
- ★ Juggling carryforwards and carrybacks between FWS and FSEOG.
- ★ The body of regulations found in 34 CFR, Subpart K.
- ★ Determining what to do with the Lotto money you just won.

3 Major Objectives of Cash Management

- ★ To promote the use of sound cash management techniques in administering the Title IV programs
- ★ To minimize administrative costs spent by the Federal Government in making Title IV funds available to students
- ★ To minimize the costs absorbed by students using Title IV loan programs

Show Me The Money...



★ Requesting Funds

★ Maintaining and Accounting for Funds

★ Handling Interest Income Earned

Methods for Obtaining Title IV Funds

- ★ Advance Payment Method
- ★ Reimbursement Method
- ★ Just-in-Time Method
- ★ Cash Monitoring Method



Advance Method

- ★ School requests funds needed to pay eligible students.
- ★ Approvals are followed by funds sent directly to school's account, via EFT.
- ★ School must disburse the funds received ASAP, but not later than three business days after receipt.

Reimbursement Method

- ★ School must make disbursement to eligible students before being reimbursed for those program expenses.
- ★ Both cash payments and crediting a student's account count as disbursements.
- ★ Must document actual payments and student eligibility per student or parent.

Just-in-Time Method

- ★ School transmits payment requests for each eligible student or parent.
- ★ ED sends funds EFT on per transaction basis, on or before a school's intended disbursement date.
- ★ School may disburse funds based on eligibility determined at time it made request for funds. Must report any adjustments to previously accepted records.

Cash Monitoring Method

- ★ Schools must make disbursements to students or parents before requesting advance payment method or reimbursement payment method.
- ★ Request for funds may not exceed actual disbursements made.
- ★ We may modify the documentation requirements and review procedures.

Show Me The Money...



★ Requesting Funds

★ **Maintaining
and
Accounting
for Funds**

★ Handling Interest
Income Earned

Maintaining & Accounting for Funds

- ★ Title IV funds must be kept in Federally insured bank or investment accounts
- ★ Identify "Fed Funds"
- ★ Notify bank about Title IV funds and file a UCC-1 statement (except public institutions)
- ★ Separate a/c for noncompliance
- ★ Interest-bearing a/c
- ★ Accounting and internal controls
- ★ Maintain financials in accordance with 34 CFR 668.24
- ★ Due diligence and fiduciary care

Show Me The Money...



★ Requesting Funds

★ Maintaining and Accounting for Funds

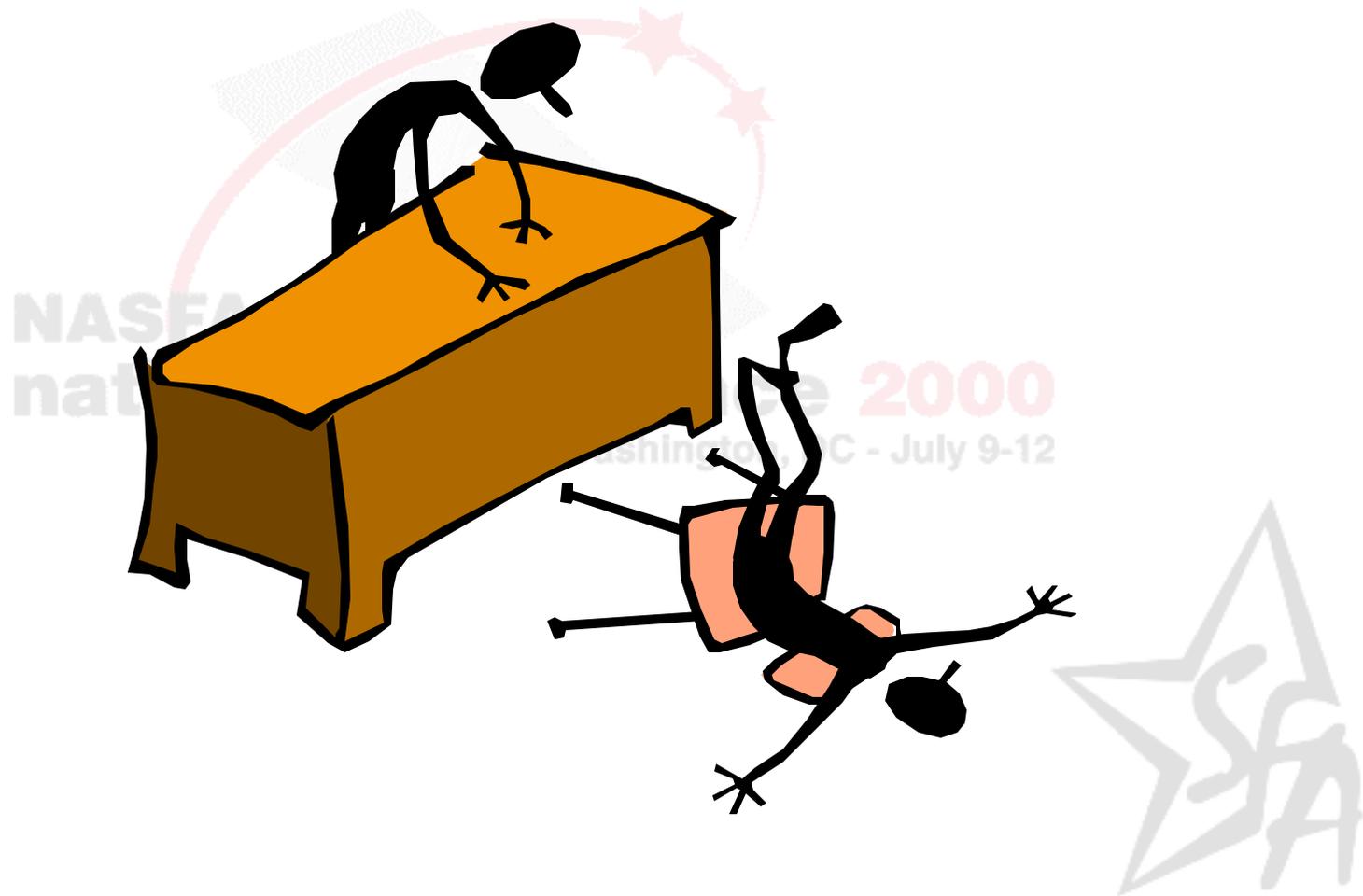
★ **Handling Interest Income Earned**

Handling Interest Income



- ★ Cannot retain more than \$250 in interest income earned on Title IV funds.
- ★ Must identify earnings on Title IV funds maintained in bank or investment accounts.

The Truth About Disbursements



dis-bûrs'mânt

- ★ A disbursement occurs by crediting a student's account or paying the student or parent directly with--
 - funds received from ED;
 - funds received from a lender under the FFEL Programs; or
 - institutional funds used in advance of receiving Title IV program funds.

More Truth...

- ★ The 10-day Rule (Early Disbursement)
- ★ The 30-day Prohibition
- ★ The Cohort Default Rate Exception
- ★ Payment Period Requirement
- ★ Late Disbursement



Making Direct Payments

- ★ Releasing FFEL proceeds from a lender
- ★ Issuing checks
- ★ Initiating an EFT transaction
- ★ Dispensing cash (signed receipt required)



Crediting A Student's Account

- ★ School may credit account to satisfy charges without authorization for--
- ★ Tuition and fees;
- ★ Room, if contracted with school; and
- ★ Board, if contracted with school
- ★ School must have authorization to credit account for--
- ★ Additional current charges incurred for educationally related activities
- ★ Minor prior year charges < \$100³

Credit Balances

- ★ Must pay ASAP but no later than 14 days after the occurrence, if after 1st day of classes or
- ★ No later than 14 days after 1st day of classes in pmt. per. if occurred before 1st day of classes.



Notices and Authorizations



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Award Notification



- ★ School must notify student of amount of funds to expect before disbursement
- ★ Detail how and when funds will be paid
- ★ Specify types of loans

If School Credits Loan Funds

- ★ Indicate date and amount of payment
- ★ Inform of right to cancel all or portion
- ★ Specify procedures for cancellation
- ★ School must send no earlier than 30 days before and no later than 30 day after crediting the account
- ★ Notice may be written or electronic¹

To Cancel a Loan

- ★ Student or parent must inform school of intent to cancel
- ★ If notice of cancellation is received from student or parent, school must return proceeds within 14 days after it sends notice or by the 1st day of the payment period and confirm outcome

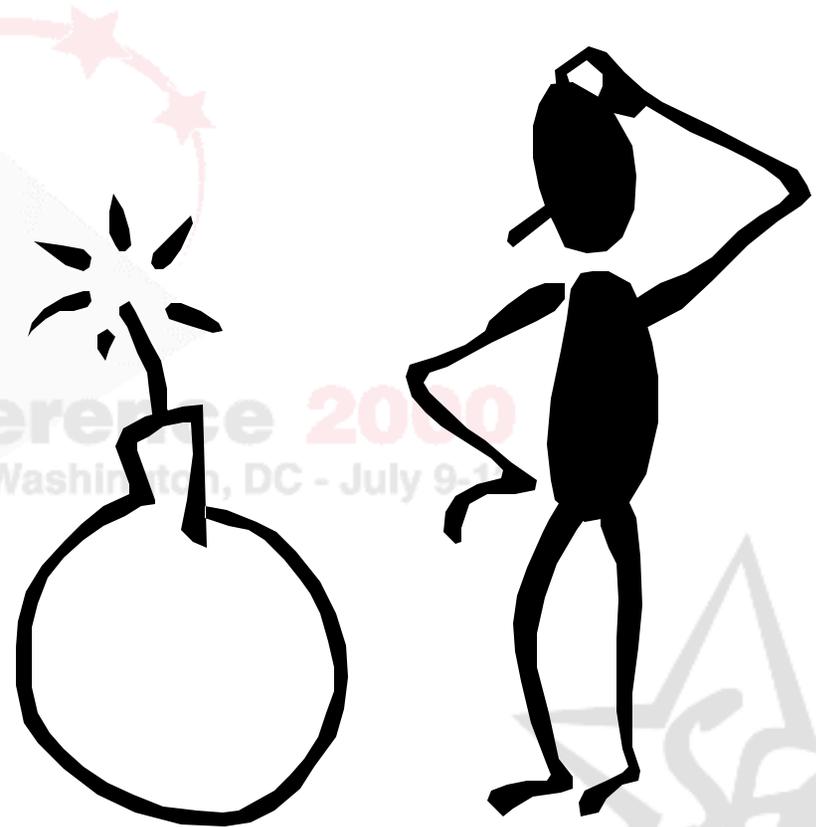


Student/Parent Authorizations

- ★ For direct payment to bank account
- ★ For payment of certain current and minor prior year charges²
- ★ For holding excess student funds
- ★ Cannot coerce to obtain
- ★ Can be modified or canceled at any time
- ★ Must clearly explain how wishes will be implemented
- ★ Limited duration
- ★ Excess funds due to student/parent after cancellation

Excess Cash

- ★ Definition
- ★ Tolerances
- ★ Consequences
- ★ Procedural



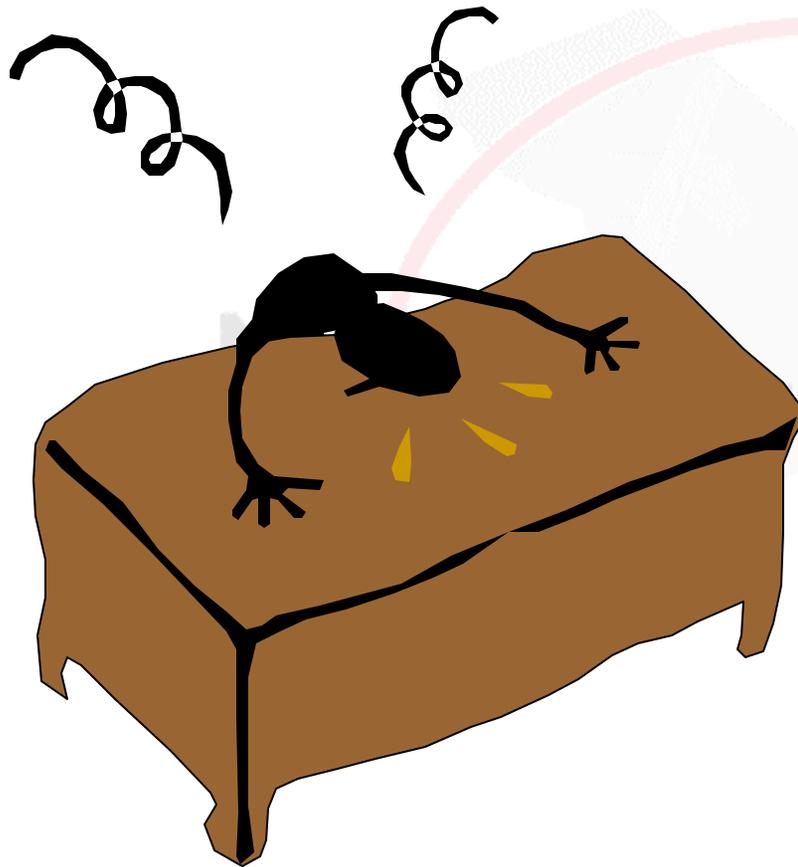
FFEL Program Funds & Timelines

- ★ Requesting Funds
- ★ Initial Period
- ★ Conditional Period
- ★ Return Period
- ★ Other Factors

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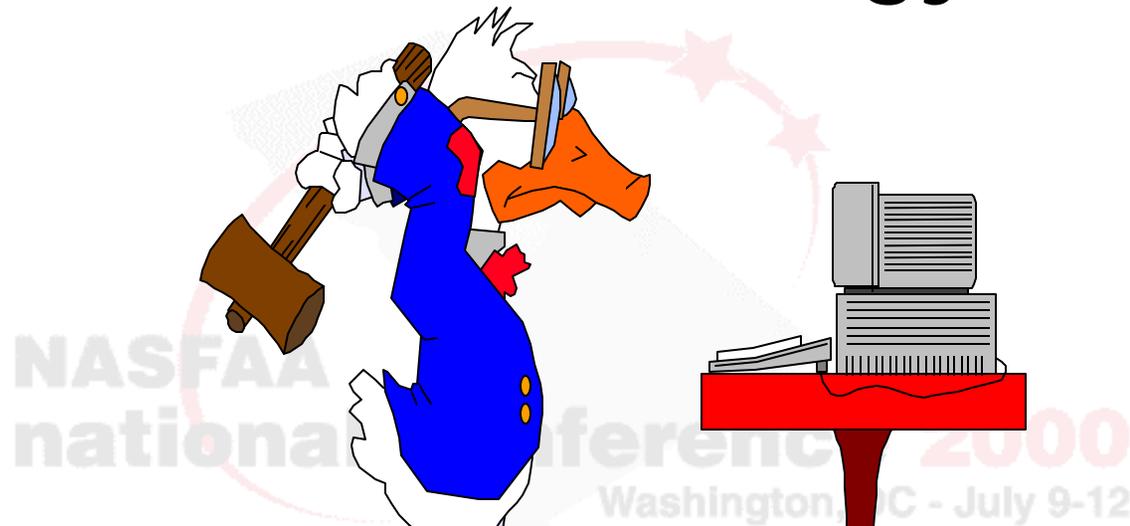


The Challenges of Returning Funds

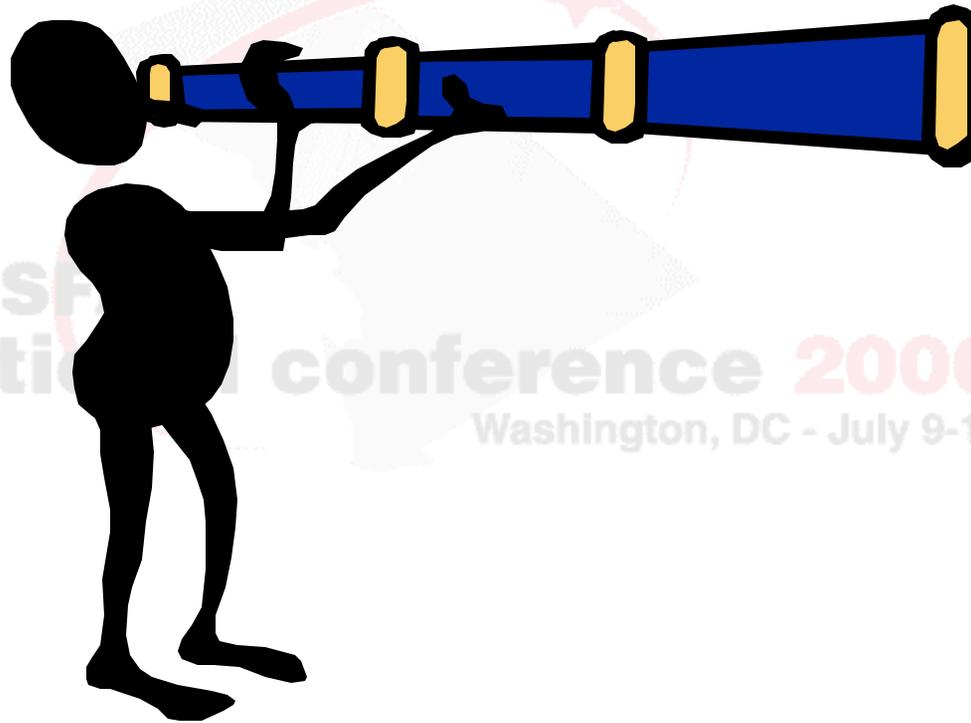


- ★ Excess Cash
- ★ Closed Awards
- ★ Audits & Program Reviews
- ★ Interest Earned
- ★ Idle Cash (DL)
- ★ Refunds (DL)
- ★ Unidentifiable Credit Balances

Cash Management in a World of Technology



The Future of Cash Management



Footnotes

- 1 - If an electronic notice is sent, the school must require the recipient of the notice to confirm receipt of that notice, and must maintain a copy of that confirmation.
- 2 - If a the school disburses DL funds by crediting a student's account, it must credit those funds to current and authorized charges first.
- 3 - Prior year charges may exceed the threshold, but current charges must be paid first, and other charges should still be minor in scope and amount.

Resources

- ★ 34 CFR, Subpart K
- ★ *The Blue Book*
- ★ Fiscal Officer's Training Guide
- ★ GAPS Payee Guide
- ★ *SFA Audit Guide* for Schools
- ★ IFAP/SFA Coach

