



Managing Through Heightened Cash Monitoring

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All schools prefer control of cash flow to direct funds as desired. However, a tool used by the U.S. Department of Education (ED) serves to greatly slow a school's cash flow process. This is called Heightened Cash Monitoring 2 (HCM2). Schools usually operate under "Advance Pay" or "Direct Reimbursement". However when ED becomes concerned with respect to a school's Administrative Capability or Financial Responsibility, ED may change the method of reimbursement to a delay or more rigorous form, HCM2.

The HCM2 process is very detailed and explicit. We will present a three (3) part series over the next few months detailing three areas:

- Required Student Information, Required Hard Copy
- Required Hard Copy Student Documentation
- Required Institution Information

Heightened Cash Monitoring

When ED places a school on HCM2, funds are released to the school after it has made the disbursement to the student (or parent borrower). Under the HCM2 method of payment, the institution may continue to obligate funds under the federal student financial assistance programs authorized by Title IV of the Higher Education Act of 1965, as amended. The institution may disburse institutional funds to eligible students. If the institution disburses institutional funds, then ED will reimburse it for properly documented expenditures.

Instructions for Obtaining Funds under HCM2 Method of Payment

For the Federal Pell Grant (Pell) and Federal William D. Ford Direct Loan programs (Direct Loans), the institution must demonstrate that it properly determined, awarded, and used its own funds to make disbursements under these programs to eligible students who are enrolled in and are attending eligible programs. When the institution has demonstrated that it has expended these funds in accordance with Title IV requirements, the Department will reimburse the institution (or credit the institution's account from its latest existing cash on hand balance), subject to any right of offset available.

The institution is required to credit students' accounts, or otherwise use its own funds to pay students, for the amount and type of Federal aid they are eligible to receive prior to requesting reimbursement of those funds from the Department. Pell and Direct Loan disbursement rosters must be in "review status" in the Common Origination and Disbursement (COD) system prior to submission of the request to the Department. All student names, social security numbers and amounts listed in the payment submission must match those in the COD system. All student records must be verified in COD.

Please note: Complying with HCM2 requirements does not relieve an institution of its obligation to continue reporting payment data to COD. The required documents must be submitted to an assigned Payment Analyst; the office will accept and process only one HCM2 request during any 30-day time

period. The institution may submit funding requests for multiple award years together - this will be considered one submission. However, a separate spreadsheet must be included for each award year. After a minimum of six (6) consecutive accurate and complete submission requests and demonstration that the institution's overall administrative/financial controls are in place, the Payment Analyst may allow the institution to submit its HCM2 request without all of the hard copy documentation identified in the next section. However, the institution must include, at a minimum, the Form 270 (Request for Title IV Reimbursement or Heightened Cash Monitoring 2) with original signatures and the spreadsheet portion of the report.

Required Student Information

The information listed below must be provided for each student for whom the institution is requesting funds in spreadsheet format (hardcopy and/or electronic). Submit a separate spreadsheet for each award year for which funds are requested. The student records on each spreadsheet must be alphabetized by student last name and then numbered in sequential order. The spreadsheet should be modified to fit the school's situation. Any electronic spreadsheet submission must be in Microsoft Excel.

- ✓ Sequence Number
- ✓ Student Last Name
- ✓ Student First Name
- ✓ Social Security Number
- ✓ Address (street, city, state, zip)
- ✓ Telephone Number
- ✓ Instructional Program
- ✓ Admission criteria used for the student's enrollment (high school diploma, GED, ability to benefit test, college transcript)
- ✓ Enrollment Status (full-time, $\frac{3}{4}$ time, $\frac{1}{2}$ time, $< \frac{1}{2}$ time)
- ✓ Number of Clock or Credit (specify) hours in the student's program of study
- ✓ Number of Clock or Credit (specify) hours in the institution's academic year
- ✓ Number of Clock or Credit (specify) hours in the payment period
- ✓ Number of Clock or Credit (specify) hours completed by the student to date of payment
- ✓ Start date/re-entry date /withdrawal date (if applicable)/last date of attendance (if applicable) and midpoint date of student's program. For distance education programs, the first date the student logged on AND engaged in educational activity
- ✓ If student withdrew, the percentage of tuition retained
- ✓ Student's cost of attendance
- ✓ Direct education cost for enrollment period status
- ✓ Expected Family Contribution (EFC)
- ✓ Certification that student is making satisfactory academic progress (SAP) (qualitatively and quantitatively) – indicate yes or no
- ✓ Professional Judgment or Dependency Override adjustment – indicate yes or no
- ✓ Grade Point Average (GPA)

Award amount currently requested for the student, by Title IV program for which authority to disburse is sought. Title IV programs are: **Pell Grant, FSEOG, Teach Grant, Federal Portion of FWS, Perkins Loan, Direct Loan.** At the bottom of the spreadsheet, you must provide the total funds requested for each Title IV program.

If the institution has not released outstanding disbursements from G5 into the institution's federal bank account for students prior to its transfer to HCM2, the institution must request payment for these students through the HCM2 process by reporting them on the student data spreadsheet and providing the required hard copy documentation identified in the Hard Copy Student Documentation section.

If an Institution participates in the **Federal Direct Loan** program, it must also include:

- Loan Period
- Grade Level
- Type of Loan

To reiterate, the institution must submit the above information in the format specified. If not submitted in this format, the Department reserves the right to reject the submission request for funds/authorization by the institution.

Kimberly Epperson has over 14 years' experience serving as a financial aid officer, financial aid director, and compliance auditor at prominent multi-campus post-secondary career schools. Please contact Kimberly Epperson for a complimentary consultation at kepperson@sstcpa.com or 214.215.6001.