General Policy and Procedure Overview:

This policy provides authoritative guidance to the University in generating student account refunds. Refunds result from excess proceeds that occur on the student account from activity such as financial aid paid in excess of what the student owes, a student drop or withdrawal, or a cost center refund such as a refund of library fines. Since refunding is the only way to disperse funds from the student account it is imperative that appropriate monitoring occur and segregation of duties be maintained.

Student refunding requires that a student account vendor be maintained in Accounts Payable. Direct deposit of student account proceeds is strongly encouraged but Department of Education regulations preclude the University from requiring direct deposit on student account refunds. Once a student account refund transaction occurs, the student financial system must feed the general ledger – posting a debit to the accounts receivable account and crediting cash.

Definition of Key Terms:

- **Credit Card Bylaws**: Rules issued by the issuers of the various credit cards (VISA, American Express, etc.) governing the terms, conditions, methods for, etc processing various types of transactions.

- **Windstar**: is a software solution for nonresident alien tax compliance and income tax treaty analysis. *International Tax Navigator* applies complex bodies of U.S. tax law and procedures, providing up-to-date analyses for withholding tax rates, and tax and treaty exemptions. *Tax Navigator* produces all required IRS withholding certificates and Form 1042 tax return and 1042-S reporting forms.

Detail Policy:

The United States Department of Education provides guidance regarding when a financial aid refund should occur, how it is to be delivered, and to whom. Each campus is responsible for working with their respective Financial Aid Offices to ensure compliance with the most current Department of Education guidelines for producing financial aid refunds from the student account. ([US Dept of Ed](#))

To ensure compliance with IRS guidelines, campuses must review refund transactions to Non-Resident Aliens (NRA) before releasing them for payment. The Windstar system is used to determine if a particular refund to an NRA is subject to withholding. In cases where withholding is required, campus payroll must be notified for the withholding.

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*Official Accounting Policies and Procedures of the University of Missouri System are Authorized and Issued by the Office of the Controller*
Credit card bylaws require that refunds resulting from credit card transactions must be returned to the credit card that was used to make the payment. Each campus is responsible for ensuring that refunds resulting from these payments are reviewed and returned to the appropriate credit card account(s).

Refunds resulting from excess financial aid are to be processed daily while exception refunds (e.g. drop in hours, withdrawal, etc.) are to be processed no less than weekly during peak refund periods.

It is preferred that all Refunds are reviewed and documented as they are processed. The review is performed by the Cashiers office. A Management level Staff member in Campus Accounting releases the refunds to AP after reviewing the refund list, verifying any large refunds and a random selection of other refunds. The objective of the review is to verify the refund is appropriate based on the transactions to the student account and to observe for suspicious behavior (such as the person receiving the refund is a relative of another employee). All refund transactions are subject to review to ensure the accuracy and appropriateness of the refund. This is a managerial level control that provides assurance as to the functioning of the system and the various review processes that take place.

- An administrative superior of the refunds process or their designee must review all refund transactions in excess of $10,000.
- The review is documented by the Sr. Accountant in Cashiers receiving the production report and signing off on it that it has been reviewed. The objective of the review is to verify the refund is appropriate based on the transactions in the student account and to observe for suspicious behavior (such as the person receiving the refund is a relative of another employee).

RESPONSIBILITY:

Cashier’s Office;
- Management of the student account refunding process and compliance with applicable regulations.
- Document a regular review of refunds to ensure their continued appropriateness.
- Alert the appropriate office of errors or suspicious activity
- Review refunds to NRAs:
  - refer to NRA tax specialist
  - Ensure refund after taxes have been posted to students account

Payroll Office:
- Make payment to IRS for taxes charged to student accounts.

NRA Tax Specialist:
- Review NRA refunds for taxable status.
- Advise Cashiers office of taxability of transactions.
- Follow up with System Payroll

Cashiers Office:
- Weekly review refund report
  - Document the review.
o Sign off that it has been reviewed.
o Verify the refund is appropriate based on the transactions in the student account and to observe for suspicious behavior.
o Alert appropriate office of errors or suspicious activity

**Accounting for the Transactions:**

<table>
<thead>
<tr>
<th>Transaction Description</th>
<th>Account</th>
<th>dr</th>
<th>Cr</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts payable payment from the student account to the student or parent. Entry is automatically generated when the voucher is posted.</td>
<td>Student Receivables</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td>Withholding for non resident alien taxable transactions.</td>
<td>Student Receivables</td>
<td></td>
<td>X</td>
</tr>
<tr>
<td></td>
<td>Payroll Withholding</td>
<td></td>
<td>X</td>
</tr>
</tbody>
</table>

*Effective Date: April 1, 2007
Revised Date: June 12, 2008*

**Questions and Comments?**
Questions regarding interpretation and implementation of the Accounting Policy should be directed to the Campus Accounting Office. Suggested edits or revisions to the policy should be directed to the Office of the Controller.