QUESTIONS AND ANSWERS

Since the July 1997 update to the school audit guide (Guide) was issued, questions regarding the Guide have been raised. The most common questions to date are addressed below.

1. The Guide requires that the CPA report all audit findings in the institution's audit report. Must Examples F and E be included in all audit reports?

NO FINDING REPORTS

The policy regarding Examples F and E which MUST be followed when the CPA has no audit findings is:

Example F MUST always be included in the audit report. Example F MUST disclose the universe of students and dollars (by program) and the sample size in terms of the number of student files tested and the dollars tested (by program) that those students received. A few lines below that information insert, in all capital letters centered on the page, the words: NO FINDINGS. Schedules A, B and C are optional, however , if they are included the words NO FINDINGS must be included on the Schedules.

AUDIT REPORTS WITH FINDINGS

Audit reports with findings MUST always include Example E, Schedules A, B and C as part of the audit report package, even if there are no findings that are applicable to these Schedules. In this situation, the Schedules MUST be included and "NONE" should be inserted on the Schedules. The software and template for Schedules A, B and C is located on the Internet at this URL:

http://home.gvi.net/~edoig

At the bottom of page one, double click on the rectangle: SFA Audits, the templates will be towards the bottom of items listed under the header: School Audits. Double click on either WordPerfect 5.2 or PDF.format to download the templates.

2. If different CPA firms perform the financial statement audit and the compliance audit, how is the report package to be bound? In contrast, if the same CPA firm performs both the financial statement audit and the compliance audit, how is the report package to be bound?

In either situation the audit reports do not have to be bound into a combined report package. The important thing is that there are five copies of both the financial statement audit and the compliance audit mailed in one package to the Department of Education.

3. Page I-3a states: "this change in the compliance audit period from an award year to a fiscal year requires a separate compliance attestation report package that is also due which covers the

period from the date of the last compliance report to the end of the fiscal year prior to the first fiscal year compliance audit." Does this mean that there will be two separate audits, with two sets of working papers or one audit period with two reports?

There are two separate audits, each requiring its own set of working papers. Since the audits are separate, each must have its own sampling plan in accordance with the Guide.

4. Section II, Number 2 - Reporting. One of the types of reports listed is the SSCRs. How are we to test this requirement in an automated environment, i.e., Direct Loan.

The SSCRs may have switched to an automated environment during calendar 1997 for non-Direct Loan schools while Direct Loan schools were in an automated environment for the same period. In the automated environment, the National Student Loan Data System (NSLDS) sends the SSCR to the institution electronically. The institution completes the SSCR and returns the information to NSLDS. After all of that SSCR records have been accepted at NSLDS, the SSCR data records are deleted from the system. However, to determine if an SSCR was returned, the auditor must examine the ED Connect software's Activity Log and look for a batch id #S, E, SSCR98IN.DAT. Summarized instructions on the SSCR process are contained in a Direct Loan Desk Reference entitled: " SSCR Award Year 1997-98". Detailed instructions are in the January 8, 1996 Student Status Confirmation Report (SSCR) User's Guide and is supplemented by Dear Colleague Letters GEN 96-13 and 96-17. The institution should have these items available, if not contact: Title IV WAN Customer Service 1-800/615-1189 for the Direct Loan Desk Reference; NSLDS at 1-800/999-8219 for the January 8, 1996 User's Guide and the Student Financial Aid Programs Customer Service at 1-800/433-7327 for GEN 96-13 and 96-17.

5. The 1995 Guide, page I-2 describes who must use the Guide with two exceptions, one being: "Institutions of higher education and other nonprofit institutions audited in accordance with OMB Circular A-133. *Organizations whose only funding is SFA may elect to have an SFA audit in accordance with this guide*." The previous italicized sentence is not in the July 1997 update. Is an institution who is subject to A-133 and whose only funding is SFA still permitted to elect to have the SFA audit in accordance with this Guide?

No. Institutions of higher education and other nonprofit institutions subject to A-133 must be audited in accordance with A-133, unless the institution is under the $300,000 threshold in which case no audit is required. OMB Circular A-133, §___.200(c) allows program specific when the enabling legislation does NOT require financial statement audits. However, since the Higher Education Act, as amended requires financial statement audits, program specific audits are not allowed when that is the only source of federal financial assistance.

6. Section III - Servicer Audit, Compliance Attestation Reporting starts on page III-7. Item 6 on page III-8 makes reference to Example I. There is no Example I in the Example Section.

Delete Item 6 as Example I was replaced by Example C-1, Item 1.

7. Section III - Servicer Audits, Engagement Periods and Report Due Dates. Under Due Dates,

the Guide reads: "An institution's servicer's first engagement under this Guide must be submitted within six months after the issuance of this section or six months after the end of the servicer's fiscal year, whichever is later."   The update is dated July 1997 (no specific date). What is the due date?

The due date is the end of the sixth month, January 31, 1998.

If you have any questions, contact Jim Burley or Jon Kucholtz in the Dallas OIG Audit Office at (214) 880-3031.