



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

DATE: August 30, 2007

CPA-07-01

SUBJECT: Amendment to January 2000 Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers* – Mandatory Procedures for Auditing Academic Competitiveness Grants (AGC) and National Science and Mathematics Access to Retain Talent (SMART) Grants at For-Profit Postsecondary Institutions

Dear Certified Public Accountant:

Since the publication of the January 2000 Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers* (Audit Guide), two new financial aid programs have been authorized. They are the Academic Competitiveness Grant (ACG) Program, and the National Science and Mathematics Access to Retain Talent Grant (National SMART Grant) Program. We are currently in the process of preparing a revised Audit Guide to reflect changes in the Federal Student Aid (FSA) programs, but are issuing this interim guidance to ensure audit coverage of these two new programs before the complete revised Audit Guide is issued.

The required procedures included below are mandatory for all audits conducted using the January 2000 Audit Guide for audits with field work starting on or after (or still being conducted) 15 calendar days after the date of this amendment, if the client institution participated, or should have participated, in either of these programs in audit periods ending after June 30, 2006. The third and fourth required procedures are also applicable for audits of servicers who service schools participating in these two new programs.

Background

The ACG Program provides eligible first- and second-year full-time undergraduates, who have completed a rigorous course of study in high school, with need-based grant assistance to help meet educational expenses (34 C.F.R. § 691.1(a)).

The National SMART Grant Program provides eligible third- and fourth-year full-time undergraduates, who major in certain designated technical fields or foreign languages, with need-based grant assistance to help meet educational expenses (34 C.F.R. § 691.1(b)). Students must be full-time regular students in an eligible program at an eligible institution of higher education and making satisfactory academic progress (34 C.F.R. § 691.15(c)). For each award year, the Secretary will identify the eligible majors (34 C.F.R. § 691.17).

These programs were authorized by Section 8003 of the Higher Education Reconciliation Act of 2005 (P.L. 109-171), enacted February 8, 2006, which amended the Higher Education Act of 1965, as amended (HEA), by adding a new section 401A (20 USC 1070a-1). The U.S. Department of Education (ED) issued interim final regulations on July 3, 2006 (71 FR 37989) to provide requirements for these programs for the 2006-2007 award year, that began on July 1, 2006. They may be accessed at: (<http://www.ifap.ed.gov/fregisters/FR07032006.html>)

Final regulations were published on November 1, 2006 (71 FR 64402). In response to comments on the interim final regulations, ED revised 34 C.F.R. Part 691. The final regulations will be effective for the 2007-2008 award year, beginning July 1, 2007; however, institutions had the option implementing all of the provisions of the final regulations on or after November 1, 2006, including for the 2006-2007 award year. The final regulations are incorporated into the Electronic Code of Federal Regulations which may be accessed at:

<http://ecfr.gpoaccess.gov>

The Federal Register notice publishing the final regulations may be found at:

<http://www.ifap.ed.gov/fregisters/attachments/FR11012006.pdf>

Compliance Requirements

The regulations for eligibility to receive a grant are at 34 C.F.R. § 691.15.

ED Regulation 34 C.F.R. § 691.62 contains provisions relating to the calculation of and maximum ACG and SMART grants.

ED also has internet pages with overviews of each Grant, including information regarding the 2006-2007 and 2007-2008 award years:

- ACG
<http://studentaid.ed.gov/PORTALSWebApp/students/english/AcademicGrants.jsp?tab=funding> with an additional link for more information on recognized rigorous secondary school programs of study for the Academic Competitiveness Grant program by State. (<http://www.ed.gov/admins/finaid/about/ac-smart/state-programs.html>)
- SMART
<http://studentaid.ed.gov/PORTALSWebApp/students/english/SmartGrants.jsp?tab=funding> with an additional link for the eligible fields of study as of August 25, 2006 (<http://www.ifap.ed.gov/dpcletters/attachments/GEN0606A.pdf>)

Institutions that offer one or more eligible academic programs and offer Pell grants must participate in the ACG/National SMART Grant programs. (34 C.F.R. § 691.7) An eligible program for the ACG is one that leads to an associate's degree or a bachelor's degree; is a two-academic-year program acceptable for full credit toward a bachelor's degree; or is a graduate degree program that includes at least 3 academic years of undergraduate education. An eligible program for the National SMART Grant is a program that leads to a bachelor's degree in an eligible major or is a graduate degree program in an eligible major that includes at least 3 academic years of undergraduate education. (34 C.F.R. § 691.2)

Required Procedures:

1. Determine if the institution offers eligible programs to participate in the ACG and/or National SMART Grant programs. If so, review the institution's policies to determine student eligibility for the programs and determine that the policies match the program regulations.
2. If the institution participates in the Pell Grant program but does not participate in the ACG and National SMART Grant programs, determine if the institution has students who would otherwise be eligible for the ACG and/or National SMART Grant programs, and report as a finding if the institution should be participating in ACG and/or National SMART Grant programs.
3. Using the sample selected in accordance with the "Sampling Methodology" on Pages I-14 and I-15 of the Audit Guide, determine if students who participated in the ACG and National SMART Grant programs were eligible in accordance with the regulations for eligibility cited above for the period audited.
4. Procedure No. c. 8 on page II-19 of the January 2000 Audit Guide provides that the auditor determine that the student has total financial assistance that does not exceed financial need, and grant and loan limits. Upon performing this procedure, the auditor must also consider AGC and National SMART grants.

Questions pertaining to this letter may be directed to Kevin Winicker, Assistant Director, Non-Federal Audits by e-mail sent to kevin.winicker@ed.gov, or may be faxed to Mr. Winicker at 202-245-7088.

Sincerely,

/s/

George Rippey
Acting Assistant Inspector General
for Audit