



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL



January 2000

Dear Colleague:

This letter transmits the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*. This Guide supersedes the prior July 1997 version. Also attached are five pages highlighting changes from the prior version.

Section 487(c) of the Higher Education Act of 1965, as amended, (HEA) and Section 668.23 of Title 34 of the Code of Federal Regulations (CFR) require all institutions participating in the Federal Student Financial Assistance Programs (SFA) to have an annual financial and compliance audit performed by an independent auditor. Institutions that participate in the SFA programs frequently engage service organizations (servicers) to perform certain functions relating to the administration of the SFA Programs. Section 487(c) of the HEA and 34 CFR 668.23 requires servicers to have an annual compliance audit performed of the servicer's administration of the SFA Programs.

Normally, all financial statement and compliance audits conducted to satisfy the annual audit requirement must be done in accordance with this Guide. However, public colleges, State and local universities, and nonprofit institutions and servicers must have their audits conducted in accordance with Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. The audit period and reporting deadlines have not changed, i.e., annual audits are on the institution or servicer's fiscal year and are to be completed and submitted to the U.S. Department of Education within six months after the close of the institution or servicer's fiscal year.

Effective Date of this Guide

Application of this Guide is effective for fiscal years ending December 31, 1999, and thereafter. Earlier application of the Guide is encouraged. The Guide is available on the Internet at this URL: <http://www.ed.gov/offices/OIG/nonfed/sfa.htm>. Questions pertaining to the Guide should be faxed to the Office of Inspector General at (215) 656-8628. We hope this guide will assist you in fulfilling your responsibilities for completing and submitting the required audit.

Sincerely,

Lorraine Lewis
Inspector General