



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

March 01, 2023

Ref: Transmittal Letter for the 2023 *Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs*

Dear Colleague:

This letter transmits the 2023 *Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs* (Guide). This Guide supersedes the September 2016 *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third Party Servicers Administering Title IV Programs* and related Frequently Asked Questions, as well as Dear CPA Letters CPA-22-02, CPA-21-02, CPA-21-01, CPA-20-01, and CPA-19-01. This Guide is effective for fiscal years beginning on or after January 1, 2023, with early implementation allowed and encouraged. The Guide is also available on our website: [Proprietary Schools, Foreign Schools, and Third-Party Servicer Audits](#).

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 (C.F.R.) require all schools participating in the Federal Student Financial Assistance Programs under Title IV of the HEA (Title IV programs) to have an annual financial and compliance audit performed by an independent auditor. Schools that participate in the Title IV programs frequently engage third-party servicers to perform certain functions related to the administration of the Title IV programs. Section 487(c) of the HEA and 34 C.F.R. § 668.23 require third-party servicers to have an annual compliance audit of the third-party servicer's administration of the Title IV Programs.

The guidance and requirements in this Guide apply to the audits required of proprietary schools and third-party servicers that are engaged by a school to administer certain functions of the Title IV programs. To satisfy the compliance audit requirements of proprietary schools and third-party servicers, this Guide requires examination-level attestation engagements relating to management's assertions about certain compliance aspects related to the Title IV programs.

Auditors should read through this Guide thoroughly to identify changes, but the following summary of major changes is included here for convenience:

- Changed the compliance engagement to an examination-level attestation engagement.
- Removed descriptions of general requirements contained in auditing or attestation standards, though auditors are still required to comply with all applicable requirements.

- Clarified when the Guide can be used as a “safe harbor” and the auditor’s responsibility for ensuring that the requirements subject to audit are current and the attestation procedures are sufficient.
- Established that the example 90/10 Revenue Percentage footnote is the required format and added more detail to the 90/10 footnote testing.
- Added a requirement to test the Financial Responsibility Supplemental Schedule and included the required in-relation-to reporting in the illustrative reports.
- Clarified which students make up the total population, allowed for sampling of universes of 25 or fewer students, and added requirements to include students with certain attributes in the samples.
- Expanded on the minimum sampling requirements for third-party servicer engagements.
- Eliminated the requirement for auditors to observe Financial Aid Administrators accessing and/or printing National Student Loan Data System and Common Origination and Disbursement system records.
- Expanded the description of compliance requirements subject to audit.
- Moved testing related to a school’s participation under the Zone Alternative to its own compliance requirement, separate from Institutional Eligibility.
- Aligned compliance examination objectives and procedures, revised objectives and procedures for clarity, added objectives and procedures to address new compliance requirements, and removed objectives and procedures for compliance requirements that no longer apply or may not have had a direct and material effect on the program or when testing did not add value.
- Added footnotes on COVID-19 flexibilities and waivers where testing is impacted.
- Updated illustrative reports for proprietary school engagements and added illustrative reports for third-party servicer engagements.
- Updated the information to be included in the School Information Sheet (previously referred to as the Auditor Information Sheet) and the Servicer Information Sheet.
- Removed the requirement for a Servicer Information Sheet in school report packages.
- Changed the requirements of the prior findings schedule so that it is the responsibility of the auditee, rather than the auditor.
- Clarified the required elements of a third-party servicer report package.

We have enclosed a crosswalk to be used as a reference tool for auditors to compare the changes between the 2016 Guide and the 2023 Guide.

Throughout the Guide, we make references to the COVID-19 national emergency and how the date that the COVID-19 national emergency ends impacts auditor site visits and the expiration of certain U.S. Department of Education COVID-19 flexibilities and waivers. The COVID-19 national emergency began in March of 2020. On [February 10, 2023](#), President Biden issued a notice continuing the emergency declaration beyond March 1, 2023 and communicating his plans to terminate the national emergency on May 11, 2023. When an official notice of termination of the COVID-19 national emergency is issued, we will post it on our [Proprietary Schools, Foreign Schools, and Third-Party Servicer Audits](#) page.

We hope this Guide will assist you as you fulfill your responsibilities for annual financial audits and compliance examination engagements. If you have any questions about the Guide, please email the Non-Federal Audit team at oignon-federalaudit@ed.gov.

Respectfully,

/s/

Bryon S. Gordon
Assistant Inspector General for Audit

Enclosure

Table. Crosswalk between the requirements from the 2023 *Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs* and the 2016 *Guide for Audits of Proprietary Schools and for Compliance Attestation Engagements of Third Party Servicers Administering Title IV Programs*

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D.6-2c(Serv)	Report on Compliance for Administration of the Student Financial Assistance Programs Required by the Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs (Qualified Opinion, Reportable Findings)		