



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

September 2016

Dear Colleague:

This letter transmits the *Guide for Audits of Proprietary Schools and For Compliance Attestation Engagements of Third-Party Servicers Administering Title IV Programs* (Guide). This Guide supersedes the prior January 2000 version, as well as Dear CPA Letters 07-03, 07-01, 99-01, and 99-02. This Guide is effective for fiscal years beginning after June 30, 2016, and thereafter (with early implementation allowed and encouraged). The Guide is also available on our website at the following Internet address: [OIG Non-Federal SFA website](#).

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 (SFA) to have an annual financial and compliance audit performed by an independent auditor. Schools that participate in the SFA programs frequently engage third-party servicers to perform certain functions related to the administration of the SFA 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 servicer's administration of the SFA Programs. The guidance and requirements in this Guide apply to the financial statement audits and compliance audits of proprietary schools (as defined at 34 C.F.R. § 600.5) and compliance attestation engagements of third-party servicers that are engaged by a school to administer certain functions of the SFA programs.

There were a significant number of changes from the January 2000 version. Auditors engaged by a school or third-party servicer for services covered by this Guide are expected to know and be in compliance with all requirements in the Guide. The following are major changes:

- The Guide has been revised to require the auditor to perform a compliance audit of proprietary schools, not an examination-level attestation engagement relative to the school's management's assertions about compliance, as previously required. The Guide continues to require compliance attestation engagements of third-party servicers.
- The Guide changes the audit/attest procedures in Chapters 2, 3, and 4 to presumptively mandatory, identified by the term "should." This is a change from the previous guide which described the procedures as "suggested."
- The Guide reflects statutory and regulatory changes effective for the period beginning July 1, 2016, and professional standard citations are current as of the issue date of this Guide.

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

Respectfully,

/s/

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