



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

October 26, 2021

Subject: **CPA-21-03** – Foreign School Example Auditor’s and Practitioner’s Reports Reflecting Changes for 2018 *Government Auditing Standards* revision, SAS Nos. 134-140, and SSAE Nos. 19 and 21

Dear Certified Public Accountant:

This letter amends the March 2020 Foreign School Audit Guide, *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Guide) to add or replace example auditor’s and practitioner’s reports, by

- Replacing Section F.3-1 of Chapter 2 to provide an example auditor’s report on the financial statements for periods after adoption of Statement on Auditing Standards Numbers (SAS Nos.) 134-140. ([Enclosure 1](#))
- Replacing Section F.3-2 of Chapter 2 to provide example auditor’s reports on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with 2018 *Government Auditing Standards*. ([Enclosure 2](#))
- Replacing Section D.8-2 of Chapter 3 to provide example practitioner’s examination reports for periods after adoption of Statement on Standards for Attestation Engagements Number (SSAE No.) 21. ([Enclosure 3](#))
- Replacing Section D.5-2 of Chapter 4 to provide an example auditor’s report on applying agreed-upon procedures for periods after adoption of SSAE No. 19. ([Enclosure 4](#))

Example Auditor’s and Practitioner’s Reports Applicability

The Guide was published without illustrative financial statement audit reports due to the delay in the SAS effective date. Among the changes to auditing standards in SAS Nos. 134-140 were revisions to enhance the relevance and usefulness of auditor’s reports. Therefore, the example auditor’s report included in this letter as Enclosures 1 reflects changes from SAS Nos. 134-140 and should be used for financial statement audits performed in accordance with this Guide once you have adopted those standards. Please note that SAS No. 141 delayed the effective date of SAS Nos. 134-140 to audits with periods ending on or after December 15, 2021. Early implementation is now permitted, but the Auditing Standards Board recommends that SAS Nos. 134–140 be implemented at the same time.

SAS Nos. 134-140 did not impact the auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, so auditors may use the example reports provided in this letter as Enclosure 2 whether or not they have adopted those standards.

SSAE No. 21 revised practitioner’s examination reports and is effective for reports dated on or after June 15, 2022, with early implementation permitted. The example examination reports included in this letter as Enclosure 3 reflect changes from SSAE No. 21 and should be used for standard compliance attestation engagements performed in accordance with this Guide once you have adopted that standard. You should continue to use the example reports published in the Guide for periods before adoption of SSAE No. 21.

SSAE No. 19 revised practitioner’s agreed-upon procedures reports and was effective for reports dated on or after July 15, 2021. The example agreed-upon procedures report included in this letter as Enclosure 4 reflects changes from SSAE No. 19 and should be used for alternative compliance attestation engagements performed in accordance with this Guide.

You should revise the example reports as needed in different situations. Using professional judgment, you may adapt these examples to other situations not specifically addressed within the illustrations. Certain conditions that may make revisions necessary are described in the footnote to the example reports.

Contact for Questions

Questions pertaining to this letter may be directed to the Office of Inspector General’s Non-Federal Audit Team via email to OIGNon-FederalAudit@ed.gov.

Respectfully,

/s/

Bryon S. Gordon
Assistant Inspector General for Audit

F.3. ILLUSTRATIVE FINANCIAL STATEMENT REPORTS AND NOTE DISCLOSURES

F.3-1. Report on the Financial Statements Accompanied by Financial Responsibility Supplemental Schedule (*Unmodified Opinion on the Financial Statements and Unmodified Opinion on the Financial Responsibility Supplemental Schedule via a Supplementary Information Section – for audits of financial statements with periods ending on or after December 15, 2021 or for earlier periods where the auditor has early adopted SAS Nos. 134-140*)

Independent Auditor's Report

[Appropriate Addressee]

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of [Entity], which comprise the balance sheet as of [Date], and the related statements of income, changes in stockholder's equity, and cash flows¹ for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of [Entity] as of [Date], and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.²

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States.³ Our responsibilities under those standards are further described in

¹ Each of the statements presented should be identified in the introductory paragraph. Paragraph .A28 of AU-C section 700 notes that the identification of the title and the dates of, or periods covered by, each statement that the financial statements comprise may also be achieved by referencing the table of contents.

² If the financial statements were prepared in accordance with generally accepted accounting principles of the foreign school's home country, this sentence should be changed to identify the home country's generally accepted accounting principles.

³ If the financial statement audit was performed by an auditor who is not licensed in the U.S., and the non-U.S. auditor did not comply with the continuing professional education and/or external peer review requirements of *GAGAS*, language such as the following should be used:

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that, because of our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 4.16 through 4.18 of *Government Auditing Standards*. [Add a sentence such as the following, if appropriate.] We do have a continuing education

the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the [Entity], and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America,⁴ and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity's] ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable).

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

program which conforms to requirements applicable in [name of country]. Also, we do not have a quality assurance or external peer review program which conforms to Paragraphs 5.60 through 5.62 of *Government Auditing Standards*, because no such program is operated in [name of country].

⁴ See Footnote 2

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the [Entity's] internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the [Entity]'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Financial Responsibility Supplemental Schedule, as required by 34 C.F.R. Section 668.172 and 34 C.F.R. Appendix [A or B]⁵ to Subpart L of Part 668, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Financial Responsibility Supplemental Schedule is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated [Date] on our consideration of [Entity's] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the [Entity's] internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government*

⁵ For audits of proprietary foreign schools, this sentence should refer to Appendix A to Subpart L of 34 C.F.R. Part 668. For audits of schools submitting as non-profit foreign schools, this sentence should refer to Appendix B to Subpart L of 34 C.F.R. Part 668.

Auditing Standards in considering [Entity's] internal control over financial reporting and compliance.

[Signature of the auditor's firm]

[City, State or Province, and Country where the auditor's report is issued]

[Date of the Auditor's Report]

F.3-2a. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (No Material Weaknesses Identified; No Significant Deficiencies Identified; No Reportable Instances of Noncompliance or Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States⁶, the financial statements of [Entity], which comprise the balance sheet as of [Date] and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].^{7,8}

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered [Entity's] internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of

⁶ If the financial statement audit was performed by an auditor who is not licensed in the U.S., and the non-U.S. auditor did not comply with the continuing professional education and/or external peer review requirements of *GAGAS*, language such as the following should be used:

We have audited the financial statements of [Entity], which comprise the balance sheet as of [Date] and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date]. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that, because of our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 4.16 through 4.18 of *Government Auditing Standards*. [Add a sentence such as the following, if appropriate.] We do have a continuing education program which conforms to requirements applicable in [name of country]. Also, we do not have a quality assurance or external peer review program which conforms to Paragraphs 5.60 through 5.62 of *Government Auditing Standards*, because no such program is operated in [name of country].

⁷ Each of the statements presented should be identified in the introductory paragraph. Paragraph .A28 of AU-C section 700 notes that the identification of the title and the dates of, or periods covered by, each statement that the financial statements comprise may also be achieved by referencing the table of contents.

⁸ If the auditor expressed a modified opinion on the financial statements (that is, a qualified opinion, an adverse opinion, or a disclaimer of opinion), the auditor should include a statement describing the nature of the modification. The auditor may include certain additional communications when the auditor included such additional communications in the auditor's report on the financial statements that are not modifications to the auditor's opinion. For example, if the auditor included an emphasis-of-matter paragraph in the auditor's report on the financial statements because of an uncertainty about the entity's ability to continue as a going concern for a reasonable period of time, the auditor may also include mention of the additional communication here.

[Entity's] internal control. Accordingly, we do not express an opinion on the effectiveness of [Entity's] internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether [Entity's] financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2020 edition of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs.⁹ However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide.¹⁰

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

⁹ Public and private non-profit foreign schools are not subject to the 90/10 revenue rule, so any reference to that requirement should be removed from those schools' audit reports.

¹⁰ See the discussion in paragraphs 6.39 through 6.49 for a discussion of the *Government Auditing Standards* criteria for reporting noncompliance with provisions of laws, regulations, contracts, and grant agreements, and instances of fraud.

[Signature of the auditor's firm]

[City, State or Province, and Country where the auditor's report is issued]

[Date of the Auditor's Report]¹¹

¹¹ Because the report relates to an engagement to audit the financial statements, and is based on the GAAS audit procedures performed, it is subject to the provisions of AU-C section 700. Therefore, it should be dated the same date as the auditor's report on the financial statements, which according to paragraph .42 of AU-C section 700, is "no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements."

F.3-2b. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (No Material Weaknesses Identified; Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States¹², the financial statements of [Entity], which comprise the balance sheet as of [Date] and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].^{13,14}

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered [Entity's] internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of [Entity's] internal control. Accordingly, we do not express an opinion on the effectiveness of [Entity's] internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 201X-001, 201X-003, and 201X-008] that we consider to be significant deficiencies.

¹² See Footnote 6

¹³ See Footnote 7

¹⁴ See Footnote 8

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether [Entity's] financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2020 edition of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs.¹⁵ However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 201X-002 and 201X-005].¹⁶

[Entity's] Response to Findings¹⁷

Government Auditing Standards requires the auditor to perform limited procedures on the [Entity's] response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The [Entity's] response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.¹⁸

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature of the auditor's firm]

[City, State or Province, and Country where the auditor's report is issued]

[Date of the Auditor's Report]¹⁹

¹⁵ See Footnote 9

¹⁶ See Footnote 10

¹⁷ Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on the entity's response.

¹⁸ Although the auditor does not audit management's responses to identified findings, the auditor does have certain responsibilities related to reporting the views of responsible officials under *Government Auditing Standards*. As noted in paragraph 6.57 of *Government Auditing Standards*, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions.

¹⁹ See Footnote 11

F.3-2c. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Material Weaknesses Identified; No Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States²⁰, the financial statements of [Entity], which comprise the balance sheet as of [Date] and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].^{21,22}

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered [Entity's] internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of [Entity's] internal control. Accordingly, we do not express an opinion on the effectiveness of [Entity's] internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X-001, 201X-003, and 201X-008*] that we consider to be material weaknesses.

²⁰ See Footnote 6

²¹ See Footnote 7

²² See Footnote 8

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether [Entity's] financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2020 edition of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs.²³ However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X-002 and 201X-005*].²⁴

[Entity's] Response to Findings²⁵

Government Auditing Standards requires the auditor to perform limited procedures on the [Entity's] response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The [Entity's] response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.²⁶

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature of the auditor's firm]

[City, State or Province, and Country where the auditor's report is issued]

[Date of the Auditor's Report]²⁷

²³ See Footnote 9

²⁴ See Footnote 10

²⁵ See Footnote 17

²⁶ See Footnote 18

²⁷ See Footnote 11

F.3-2d. Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Material Weaknesses and Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)

Independent Auditor's Report

[Appropriate Addressee]

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States²⁸, the financial statements of [Entity], which comprise the balance sheet as of [Date] and the related statements of income, changes in stockholder's equity, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].^{29,30}

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered [Entity's] internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of [Entity's] internal control. Accordingly, we do not express an opinion on the effectiveness of [Entity's] internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X-001 and 201X-002*] to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged

²⁸ See Footnote 6

²⁹ See Footnote 7

³⁰ See Footnote 8

with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X-003 and 201X-004*] to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the [Entity's] financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. Such tests included compliance tests as set forth in the 2020 edition of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools*, issued by the U.S. Department of Education, Office of Inspector General (the Guide) including those relating to related parties and percentage of revenue derived from Title IV programs.³¹ However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or the Guide³² and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 201X-002 and 201X-005*].

[Entity's] Response to Findings³³

Government Auditing Standards requires the auditor to perform limited procedures on the [Entity's] response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The [Entity's] response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.³⁴

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[Signature of the auditor's firm]

[City, State or Province, and Country where the auditor's report is issued]

[Date of the Auditor's Report]³⁵

³¹ See Footnote 9

³² See Footnote 10

³³ See Footnote 17

³⁴ See Footnote 18

³⁵ See Footnote 11

Replace Chapter 3, Section D.8-2 of the *Guide for Financial Statement Auditors and Compliance Attestation Engagements of Foreign Schools* (Pages 112-117)

D.8. ILLUSTRATIVE STANDARD COMPLIANCE ATTESTATION ENGAGEMENT REPORTS, SCHEDULES, AND FORMS

D.8-2a Report on Compliance for the Direct Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Unmodified Opinion on Compliance, No Reportable Findings)

Independent Accountant's Report

[*Appropriate Addressee*]

We have examined management of [Entity's] assertions that [Entity] complied with the compliance requirements regarding Institutional Eligibility and Participation; Reporting; Student Eligibility; Disbursements; Return of Title IV Funds; G5 and Cash Management; Administrative Requirements; and Close Out Requirements described in Chapter 3 of the 2020 edition of the U.S. Department of Education's *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Guide) relative to [Entity's] participation in the William D. Ford Federal Direct Loan (Direct Loan) Program, for the year ended [Date].³⁶ [Entity's] management is responsible for its assertions. Our responsibility is to express an opinion on [Entity's] compliance, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States³⁷; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether [Entity] complied with the compliance requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about [Entity's] compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

³⁶ Only those compliance requirements which are applicable to the school, and therefore audited as part of the standard compliance attestation engagement, should be listed in this paragraph.

³⁷ If the compliance attestation engagement is performed by an auditor who is not licensed in the U.S., and the non-U.S. auditor did not comply with the continuing professional education and/or external peer review requirements of *GAGAS*, language such as the following should be used:

Our examination was conducted in accordance with this Guide; attestation standards established by the American Institute of Certified Public Accountants; and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that, because of our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 4.16 through 4.18 of *Government Auditing Standards*. [Add a sentence such as the following, if appropriate.] We do have a continuing education program which conforms to requirements applicable in [*name of country*]. Also, we do not have a quality assurance or external peer review program which conforms to Paragraphs 5.60 through 5.62 of *Government Auditing Standards*, because no such program is operated in [*name of country*].

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, [Entity] complied with the compliance requirements referred to above for the year ended [Date],³⁸ in all material respects.

[Practitioner's signature]

[Practitioner's City, state or Province, and Country]

[Date of practitioner's report]

³⁸ The opinion should be modified, as appropriate, depending on the specific circumstances of the audit.

D.8-2b Report on Compliance for the Direct Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Unmodified Opinion on Compliance, Reportable Findings)

Independent Accountant's Report

[Appropriate Addressee]

We have examined management of [Entity's] assertions that [Entity] complied with the compliance requirements regarding Institutional Eligibility and Participation; Reporting; Student Eligibility; Disbursements; Return of Title IV Funds; G5 and Cash Management; Administrative Requirements; and Close Out Requirements described in Chapter 3 of the 2020 edition of the U.S. Department of Education's *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Guide) relative to [Entity's] participation in the William D. Ford Federal Direct Loan (Direct Loan) Program, for the year ended [Date].³⁹ [Entity's] management is responsible for its assertions. Our responsibility is to express an opinion on [Entity's] compliance, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States⁴⁰; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether [Entity] complied with the compliance requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about [Entity's] compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, [Entity] complied with the compliance requirements referred to above for the year ended [Date],⁴¹ in all material respects.

In accordance with *Government Auditing Standards* and this Guide, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control over compliance and noncompliance with provisions of laws or regulations applicable to the Direct Loan program. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective action. We performed our examination to express an opinion on whether [Entity] complied with the compliance requirements referred to above, in all material respects, and not for the purpose of expressing an opinion on the internal control over compliance; accordingly, we express no such opinion. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and this Guide, and those findings, along with

³⁹ See Footnote 36

⁴⁰ See Footnote 37

⁴¹ See Footnote 38

the views of responsible officials, are described in the attached Schedule of Findings and Questioned Costs.

[Practitioner's signature]

[Practitioner's City, state or Province, and Country]

[Date of practitioner's report]

D.8-2c Report on Compliance for the Direct Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Qualified Opinion on Compliance, Reportable Findings)

Independent Accountant's Report

[Appropriate Addressee]

We have examined [Entity's] compliance with the compliance requirements regarding Institutional Eligibility and Participation; Reporting; Student Eligibility; Disbursements; Return of Title IV Funds; G5 and Cash Management; Administrative Requirements; and Close Out Requirements described in Chapter 3 of the 2020 edition of the U.S. Department of Education's *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Guide) relative to [Entity's] participation in the William D. Ford Federal Direct Loan (Direct Loan) Program, for the year ended [Date].⁴² [Entity's] management is responsible for compliance with the requirements referred to above.

Our responsibility is to express an opinion on [Entity's] compliance, based on our examination. Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States⁴³; and the Guide. Those standards and the Guide require that we plan and perform the examination to obtain reasonable assurance about whether [Entity] complied with the compliance requirements referred to above, in all material respects.

An examination involves performing procedures to obtain evidence about [Entity's] compliance with those requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

As described in the accompanying Schedule of Findings and Questioned Costs, our examination disclosed [*describe condition(s) that, individually or in the aggregate, resulted in noncompliance material to the compliance requirements*].

In our opinion, except for the effects of the material noncompliance described in the preceding paragraph, [Entity] complied with the compliance requirements referred to above for the year ended [Date],⁴⁴ in all material respects.

In accordance with *Government Auditing Standards* and this Guide, we are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses in internal control over compliance and noncompliance with provisions of laws or regulations applicable to

⁴² See Footnote 36

⁴³ See Footnote 37

⁴⁴ See Footnote 38

the Direct Loan program. We are also required to obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as any planned corrective action. We performed our examination to express an opinion on whether [Entity] complied with the compliance requirements referred to above, in all material respects, and not for the purpose of expressing an opinion on the internal control over compliance; accordingly, we express no such opinion. Our examination disclosed certain findings that are required to be reported under *Government Auditing Standards* and this Guide, and those findings, along with the views of responsible officials, are described in the attached Schedule of Findings and Questioned Costs.

[Practitioner's signature]

[Practitioner's City, state or Province, and Country]

[Date of practitioner's report]

D.5. ILLUSTRATIVE ALTERNATIVE COMPLIANCE ATTESTATION REPORT PACKAGE COMPONENTS

D.5-2.b Agreed-Upon Procedures Report

Independent Accountant's Report on Applying Agreed-Upon Procedures

[Appropriate Addressee]

We have performed the procedures enumerated below on evaluating [Entity's] compliance with the requirements described in Chapter 4 of the 2020 edition of the U. S. Department of Education's *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools* (Guide) relative to [Entity's] participation in the William D. Ford Federal Direct Loan (Direct Loan) Program, for the year ended [Date].⁴⁵ [Entity] is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to the Direct Loan program.

[Entity] has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of determining [Entity's] compliance with requirements applicable to the Direct Loan Program. Additionally, the U.S. Department of Education has agreed to and acknowledged that the procedures performed are appropriate for their purposes. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

We obtained the SAS Disbursement Detail on Demand Report(s) of students who were disbursed Direct Loan funds to attend [Entity] during the year ended [Date] and performed the following procedures:

1. Determined whether the students on the SAS Disbursement Detail on Demand Report(s) were enrolled and began attendance, on at least a half-time basis, at [Entity] during the audit period.
2. Determined whether [Entity] calculated loan amounts correctly, did not disburse loans beyond the maximum eligibility period, and did not certify loans in excess of the borrower's annual and aggregate loan limits for the students on the SAS Disbursement Detail on Demand Report(s).
3. Determined whether [Entity] responded to the Enrollment Reporting Roster File in a timely manner and reported changes in status of the students on the SAS Disbursement Detail on Demand Report(s) accurately.

⁴⁵ In the case of a multi-year cumulative engagement (See Chapter 4, Section A), indicate the full period covered by the agreed-upon procedures engagement.

4. Determined whether [Entity] performed the required Direct Loan monthly reconciliations and resolved discrepancies.
5. Determined whether [Entity] had procedures to ensure that it identifies and processes return of Title IV funds for students who withdrew and that [Entity] accurately calculated and appropriately returned funds for the students on the SAS Disbursement Detail on Demand Report(s) which it identified as receiving unearned funds.
6. Determined whether [Entity] designated a capable individual to administer the Direct Loan program and had written procedures relating to Title IV responsibilities.
7. Determined whether [Entity's] management reported to the U.S. Department of Education, Office of Inspector General any credible information indicating criminal misconduct or fraud by students or staff, which it was aware of.
8. Determined whether [Entity] designated an individual to coordinate the information security program, performed a risk assessment that addressed the three areas noted in 16 C.F.R. § 314.4(b), and documented safeguards for identified risks.

[Insert one of the following sentences: There are no reportable findings. OR

The accompanying “Schedule of Findings and Questioned Costs” sets forth findings resulting from the conduct of these procedures.]

We were engaged by [Entity] to perform this agreed-upon procedures engagement and conducted our engagement in accordance with this Guide; attestation standards established by the American Institute of Certified Public Accountants; and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.⁴⁶ We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on [Entity's] compliance with specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

⁴⁶ If the compliance attestation engagement is performed by an auditor who is not licensed in the U.S., and the non-U.S. auditor did not comply with the continuing professional education and/or external peer review requirements of *GAGAS*, language such as the following should be used:

This agreed-upon procedures engagement was conducted in accordance with the Guide; attestation standards established by the American Institute of Certified Public Accountants; and the standards applicable to attestation engagements contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, except that, because of our location outside of the U.S., we do not have a continuing education program which conforms to Paragraphs 4.16 through 4.18 of *Government Auditing Standards*. [Add a sentence such as the following, if appropriate.] We do have a continuing education program which conforms to requirements applicable in [name of country]. Also, we do not have a quality assurance or external peer review program which conforms to Paragraphs 5.60 through 5.62 of *Government Auditing Standards*, because no such program is operated in [name of country].

We are required to be independent of [Entity] and to meet our ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the U.S. Department of Education and management of [Entity], and is not intended to be, and should not be, used by anyone other than the specified parties.

[Practitioner's signature]

[Practitioner's City, state or Province, and Country]

[Date of practitioner's report]