



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

AUDIT SERVICES

October 26, 2021

Subject: **CPA-21-05** – Guaranty Agency Servicer Federal Family Education Loan Program Financial Statement Audit and Compliance Engagement Example Auditor’s and Practitioner’s Reports Reflecting Changes for 2018 *Government Auditing Standards* revision, SAS Nos. 134-140, and SSAE No. 21

Dear Certified Public Accountant:

This letter amends the April 2020 Guaranty Agency Servicer Audit Guide, *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Guide) to add or replace example auditor’s and practitioner’s reports, by

- Replacing Section E.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 E.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.7-2 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](#))

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 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.

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

Replace Chapter 2, Section E.3-1 of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Pages 22-24)

E.3. ILLUSTRATIVE FINANCIAL STATEMENT REPORTS

E.3-1 Opinion on Financial Statements¹

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 flows² 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.³

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, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in 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, and for the design, implementation, and maintenance of internal control relevant to the preparation

¹ Certain entities subject to this Guide are also required to have their financial statement audits conducted in accordance with the standards established by the Public Company Accounting Oversight Board (PCAOB). For those entities, certain reports illustrated in this chapter should be modified. For a notice on the use of PCAOB standards with GAGAS, refer to Generally Accepted Government Auditing Standards, issued by the Comptroller General of the United States, available on the GAO Web site (<https://www.gao.gov/yellowbook>).

² 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 for each statement that the financial statements comprise may be achieved by referencing the table of contents.

³ The opinion paragraph should be modified as necessary under the circumstances.

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 judgement 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.
- 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.

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

[Signature of the auditor's firm]

[City and state where the auditor's report is issued]

[Date of the Auditor's Report]

Replace Chapter 2, Section E.3-2 of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Pages 25-32)

E.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)⁴

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 States, 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 flows⁵ for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].⁶

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 over financial reporting.

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,

⁴The auditor should use the portions of examples E.3-2a through E.3-2d that apply to a specific servicer's situation. For example, if the auditor found no reportable instances of noncompliance but has identified significant deficiencies, the compliance section of this report would be used along with internal control section of example E.3-2b. Alternatively, if the auditor found reportable instances of noncompliance but did not identify significant deficiencies or material weaknesses, the internal control section of this report would be used along with the compliance section of example E.3-2b.

⁵ 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 for each statement that the financial statements comprise may be achieved by referencing the table of contents.

⁶If 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.

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. 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*.⁷

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 and state where the auditor's report is issued]

*[Date of the Auditor's Report]*⁸

⁷ 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.

⁸ 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."

E.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) ⁹

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 States, 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 flows¹⁰ for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].¹¹

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 opinions 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 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

⁹ The auditor should use the portions of Examples E.3-2a through E.3-2d that apply to a specific servicer's situation. For example, if the auditor identified no reportable instances of noncompliance but has identified or significant deficiencies, the compliance section of Example E.3-2a would be used along with internal control section of this report. Alternatively, if the auditor identified reportable instances of noncompliance but has not identified significant deficiencies, the internal control section of Example E.3-2a would be used along with the compliance section of this report.

¹⁰ See Footnote 5

¹¹ See Footnote 6

findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1X-001, 20X1-003, and 20X1-004*] that we consider to be significant deficiencies.¹²

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. 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*¹³ 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 Findings¹⁴

Government Auditing Standards requires the auditor to perform 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.¹⁵

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 result 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 and state where the auditor's report is issued*]

[*Date of the Auditor's Report*]¹⁶

¹² If no significant deficiencies were identified, this sentence would be omitted.

¹³ See Footnote 7

¹⁴ Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on the entity's response.

¹⁵ 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.

¹⁶ See Footnote 8

E.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)¹⁷

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 States, 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 flows¹⁸ for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [Date].¹⁹

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 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

¹⁷ The auditor should use the portions of Examples E.3-2a through E.3-2d that apply to a specific servicer's situation. For example, if the auditor identified no reportable instances of noncompliance but has identified material weaknesses, the compliance section of Example E.3-2a would be used along with internal control section of this report. Alternatively, if the auditor identified reportable instances of noncompliance but has not identified significant deficiencies or material weakness, the internal control section of Example E.3-2a would be used along with the compliance section of this report.

¹⁸ See Footnote 5

¹⁹ See Footnote 6

the reference numbers of the related findings, for example, 20X1-001, 20X1-003, and 20X1-004 that we consider to be material weaknesses.

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. 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*²⁰ 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 Findings²¹

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.²²

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]²³

²⁰ See Footnote 7

²¹ See Footnote 14

²² See Footnote 15

²³ See Footnote 8

E.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)²⁴

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 States, 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 flows²⁵ for the year then ended, and the related notes to the financial statements, have issued our report thereon dated [Date].²⁶

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*

²⁴ The auditor should use the portions of Examples E.3-2a through E.3-2d that apply to a specific servicer's situation. For example, if the auditor identified no reportable instances of noncompliance but has identified material weaknesses and significant deficiencies, the compliance section of Example E.3-2a would be used along with internal control section of this report. Alternatively, if the auditor identified reportable instances of noncompliance but has not identified significant deficiencies or material weakness, the internal control section of Example E.3-2a would be used along with the compliance section of this report.

²⁵ See Footnote 5

²⁶ See Footnote 6

the related findings, for example, 20X1-001, 20X1-003, and 20X1-004] 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 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, 20X1-002 and 20X1-005*] to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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. 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*²⁷ 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, 20X1-002 and 20X1-005*].

[Entity's] Response to Findings²⁸

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.²⁹

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 and state where the auditor's report is issued]

[Date of the Auditor's Report]³⁰

²⁷ See Footnote 7

²⁸ See Footnote 14

²⁹ See Footnote 15

³⁰ See Footnote 8

Replace Chapter 3, Section D.7-2 of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Pages 66-70)

D.7. ILLUSTRATIVE COMPLIANCE ATTESTATION ENGAGEMENT REPORTS, SCHEDULES, AND FORMS

D.7-2a. Report on Compliance for the Federal Family Education Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (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 Federal and Operating Funds, Reporting, Lender Claims and Reinsurance, Default Aversion, Collections, and Assigning Loans 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 Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Guide) relative to [Servicer's] participation in the Federal Family Education Loan (FFEL) program, for the year ended [Date].³¹ [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 States; 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.

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],³² in all material respects.

³¹ Only those compliance requirements which are applicable to the servicer, and therefore examined as part of the compliance attestation engagement, should be listed in this paragraph.

³² The opinion should be modified, as appropriate, depending on the specific circumstances of the engagement.

[Practitioner's signature]

[Practitioner's City and State]

[Date of practitioner's report]

D.7-2b. Report on Compliance for the Federal Family Education Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (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 Federal and Operating Funds, Reporting, Lender Claims and Reinsurance, Default Aversion, Collections, and Assigning Loans 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 Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Guide) relative to [Servicer's] participation in the Federal Family Education Loan (FFEL) program, for the year ended [Date].³³ [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 States; 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.

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],³⁴ 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 FFEL 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

³³ Only those compliance requirements which are applicable to the servicer, and therefore examined as part of the compliance attestation engagement, should be listed in this paragraph.

³⁴ The opinion should be modified, as appropriate, depending on the specific circumstances of the engagement.

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 and State]

[Date of practitioner's report]

D.7-2c. Report on Compliance for the Federal Family Education Loan Program Required by the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Qualified Opinion on Compliance, Reportable Findings)

Independent Accountant's Report

[Appropriate Addressee]

We have examined [Entity's] compliance with the compliance requirements regarding Federal and Operating Funds, Reporting, Lender Claims and Reinsurance, Default Aversion, Collections, and Assigning Loans 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 Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Guide) relative to [Servicer's] participation in the Federal Family Education Loan (FFEL) program, for the year ended [Date].³⁵ [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 States; 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],³⁶ 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

³⁵ Only those compliance requirements which are applicable to the servicer, and therefore examined as part of the compliance attestation engagement, should be listed in this paragraph.

³⁶ The opinion should be modified, as appropriate, depending on the specific circumstances of the engagement.

control over compliance and noncompliance with provisions of laws or regulations applicable to the FFEL 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 and State]

[Date of practitioner's report]