

**GUIDE FOR FINANCIAL STATEMENT AUDITS AND
COMPLIANCE ATTESTATION ENGAGEMENTS OF
GUARANTY AGENCY SERVICERS ADMINISTERING
THE FEDERAL FAMILY EDUCATION LOAN
PROGRAM**



***U.S. DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL
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ABBREVIATIONS AND ACRONYMS 5

CHAPTER 1 – GENERAL REQUIREMENTS 6

A. INTRODUCTION..... 6

 A.1. PURPOSE AND APPLICABILITY..... 6

 A.2. BACKGROUND..... 6

 A.3. EFFECTIVE DATE AND IMPLEMENTATION..... 7

 A.4. ENGAGEMENT PERIODS..... 8

 A.5. REPORT DUE DATES AND SUBMISSION..... 8

 A.6. COORDINATING FINANCIAL STATEMENT AUDITS AND COMPLIANCE AUDITS..... 8

B. PROFESSIONAL STANDARDS 9

C. REQUIRED AUDIT/ATTESTATION COVERAGE..... 9

D. REFERENCES AND RESOURCES..... 10

E. AUDITOR QUALIFICATIONS..... 11

 E.1. GENERAL REQUIREMENTS 11

 E.2. LICENSING REQUIREMENTS 11

 E.3. INTERNAL AUDITORS..... 12

F. AUDIT QUALITY AND AUDIT DOCUMENTATION 12

 F.1. AUTHORITY..... 12

 F.2. DEFICIENT AUDIT/ATTESTATION WORK 12

 F.3. RETENTION OF AUDIT/ATTESTATION DOCUMENTATION 13

 F.4. CONFIDENTIALITY OF COMMERCIAL INFORMATION IN AUDIT/ATTESTATION DOCUMENTATION..... 13

G. PRIVACY RIGHTS OF STUDENTS AND PARENTS AND AUDITOR ACCESS TO RECORDS..... 13

H. PROCEDURES APPLICABLE TO ALL ENGAGEMENTS 14

 H.1. REPORTING FRAUD 14

 H.2. ENGAGEMENT LETTER 15

 H.3. REPRESENTATIONS FROM THE SERVICER’S MANAGEMENT AND INQUIRY OF LEGAL COUNSEL 16

CHAPTER 2 – FINANCIAL STATEMENT AUDITS..... 17

A. INTRODUCTION..... 17

 A.1. FINANCIAL STATEMENT REQUIREMENTS 17

 A.2. SERVICERS COVERED BY THE SARBANES-OXLEY ACT OF 2002..... 17

B. CONSIDERING INTERNAL CONTROL IN A FINANCIAL STATEMENT AUDIT..... 18

C. CONSIDERING FRAUD IN A FINANCIAL STATEMENT AUDIT 18

D. COMMUNICATING WITH THOSE CHARGED WITH GOVERNANCE 19

E. FINANCIAL STATEMENT REPORTING 20

 E.1. GAGAS REQUIREMENTS 20

 E.2. FINANCIAL STATEMENT REPORT PACKAGE CONTENTS..... 20

 E.3. ILLUSTRATIVE FINANCIAL STATEMENT REPORTS..... 21

 E.3-1 Opinion on Financial Statements 22

 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)*..... 23

 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)*..... 24

 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)*..... 25

 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)
 26

CHAPTER 3 – COMPLIANCE ATTESTATION ENGAGEMENT 34

- A. INTRODUCTION..... 34
- B. PLANNING CONSIDERATIONS FOR THE COMPLIANCE ATTESTATION ENGAGEMENT 35
 - B.1. CONTRACTING WITH MORE THAN ONE GUARANTY AGENCY 35
 - B.2. REFERENCE MATERIALS..... 35
 - B.3. ATTESTATION RISK 36
 - B.4. CONSIDERING INTERNAL CONTROL IN THE COMPLIANCE ENGAGEMENT 36
 - B.5. CONSIDERING FRAUD IN THE COMPLIANCE ENGAGEMENT..... 37
 - B.6. MATERIALITY FOR PURPOSES OF PROVIDING COMPLIANCE OPINION 37
 - B.7. SAMPLING METHODOLOGY 37
 - B.8. SAMPLE RESULTS THAT REQUIRE PROJECTIONS..... 38
 - B.9. REPORTING NONCOMPLIANCE 38
 - B.10. FOLLOW-UP ON RESOLUTION OF PRIOR AUDIT/ATTESTATION FINDINGS..... 38
- C. COMPLIANCE REQUIREMENTS AND ATTEST PROCEDURES 40
 - C.1. FEDERAL AND OPERATING FUNDS..... 40
 - C.1.1. Federal Fund and Agency Operating Fund 40
 - C.2. REPORTING..... 43
 - C.2.1. ED Form 2000..... 43
 - C.2.2. NSLDS Reporting 45
 - C.3. LENDER CLAIMS AND REINSURANCE 47
 - C.3.1. Death, Disability, Closed Schools, False Certification, Bankruptcy, Unpaid Refunds, Teacher Loan Forgiveness Claims 47
 - C.3.2. Conditions of Reinsurance Coverage 49
 - C.4. DEFAULT AVERSION 52
 - C.4.1. Default Aversion Assistance..... 52
 - C.5. COLLECTIONS..... 54
 - C.5.1. Collection Efforts..... 54
 - C.5.2. Charging Collection Costs 55
 - C.5.3. Returning Federal Share of Borrower Repayments..... 56
 - C.6. ASSIGNING LOANS..... 58
 - C.6.1. Assigning Defaulted Loans to ED 58
- D. COMPLIANCE ENGAGEMENT REPORT CONTENTS 60
 - D.1. TITLE PAGE 60
 - D.2. REPORT ON COMPLIANCE FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM 60
 - D.3. GUARANTY AGENCY SERVICER INFORMATION SHEET..... 60
 - D.4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS..... 60
 - D.5. AUDITOR’S COMMENTS ON THE RESOLUTION OF PRIOR FINDINGS..... 62
 - D.6. CORRECTIVE ACTION PLAN 62
 - D.7. ILLUSTRATIVE COMPLIANCE ATTESTATION ENGAGEMENT REPORTS, SCHEDULES, AND FORMS64
 - D.7-1 Title Page – Compliance Attestation Engagement Report 65
 - 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) 66
 - 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)67
 - 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) ... 69
 - D.7-3a Guaranty Agency Servicer Information Sheet 71
 - D.7-3b Guaranty Agency Servicer Information Sheet (Continued) 72

D.7-4	Schedule of Findings and Questioned Costs	73
D.7-5	Auditor’s Comments on the Resolution of Prior Findings	74
D.7-6	Corrective Action Plan.....	74

ABBREVIATIONS AND ACRONYMS

Acronym	Definition
AICPA	American Institute of Certified Public Accountants
AT-C	AICPA Attestation Standards (Clarified)
AU-C	AICPA Auditing Standards (Clarified)
C.F.R.	Code of Federal Regulations
ED	U. S. Department of Education
FFEL	Federal Family Education Loan
GAAS	Generally Accepted Auditing Standards
GAGAS	Generally Accepted Government Auditing Standards
Guide	<i>Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program</i>
HEA	Higher Education Act of 1965, as amended
NSLDS	National Student Loan Data System
OIG	Office of Inspector General
OIG/IS	Office of Inspector General, Investigation Services
PCAOB	Public Company Accounting and Oversight Board
PII	Personally Identifiable Information
SEC	Securities and Exchange Commission
SOX	Sarbanes-Oxley Act of 2002

CHAPTER 1 – GENERAL REQUIREMENTS

A. INTRODUCTION

A.1. PURPOSE AND APPLICABILITY

This *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* (Guide) developed by the U.S. Department of Education (ED) Office of Inspector General (ED/OIG) applies to and provides requirements and guidance for financial statement audits and compliance attestation engagements of servicers that administer or service any aspect of the Federal Family Education Loan (FFEL) Program on behalf of their guaranty agency clients.

This Guide is to be used by all guaranty agency servicers, except those servicers –

- That are State, local, or nonprofit organizations subject to a single audit in accordance with Subpart F—Audit Requirements of Title 2 of the Code of Federal Regulations (C.F.R.), Chapter II, Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), provided that the single audit covers the portfolios of the guaranty agencies the servicer contracts with.¹
- That are exempt from compliance audits by 34 C.F.R. § 682.416(e)(1), as described in the Background section below.

A.2. BACKGROUND

Guaranty agencies are established to guarantee student loans made by lenders and perform certain administrative and oversight functions under the FFEL program. Guaranty agencies frequently hire servicers to administer FFEL program functions. FFEL program loans include Federal Stafford Loans (both subsidized and unsubsidized), Federal PLUS loans, and Federal Consolidation loans. ED provides reinsurance to the guaranty agency.

The SAFRA Act, Title II of the Health Care and Education Reconciliation Act of 2010, Pub. L. No. 111-152, provides that, after June 30, 2010, no new student loans will be made under the FFEL program. Therefore, beginning July 1, 2010, all new subsidized and unsubsidized Stafford Loans made to students, PLUS loans made to parents and to graduate/professional students, and consolidation loans made to borrowers have been made under the William D. Ford Federal Direct Loan program and are not be handled by guaranty agencies.

¹ Non-Federal entities that expend \$750,000 or more in Federal awards in a fiscal year are audited in accordance with the audit requirements of Uniform Guidance. Such entities with total Federal expenditures below the audit requirement threshold are exempt from audit requirements of Uniform Guidance and this Guide for that year, but records must be available for review or audit by appropriate officials of ED, ED/OIG, and the Government Accountability Office and organizations may be asked to submit to ED copies of any financial statement or compliance audits that are otherwise prepared for the organization.

Generally, a servicer that contracts with a guaranty agency to administer any aspect of the guaranty agency's programs must at least annually have an audit of its financial statements (34 C.F.R. § 668.23(d)(4)) and a compliance audit of the servicer's administration of the FFEL program loan portfolio (34 C.F.R. § 682.416(e)). A servicer is required to have a compliance audit unless (1) the servicer contracts with only one guaranty agency, and (2) the audit of that guaranty agency's FFEL programs involves every aspect of the servicer's administration of those FFEL programs (34 C.F.R. § 682.416(e)(1)). If a servicer, including any guaranty agency that has contracted with more than one other guaranty agency to administer any aspect of the FFEL program, is subject to the audit requirements of Uniform Guidance and obtains a single audit which covers the portfolio of the guaranty agencies the servicer has contracted with, then that single audit satisfies the servicer compliance audit requirement. If a servicer is not subject to the audit requirements of Uniform Guidance or does not obtain a single audit which covers the portfolios of the guaranty agencies the servicer has contracted with, then the servicer is required to obtain a compliance audit in accordance with this Guide. To satisfy the compliance audit requirement, this Guide requires an examination-level attestation engagement relating to the servicer management's assertions about certain compliance aspects related to the FFEL program.

ED uses these guaranty agency servicer audits and attestation engagements to determine if the servicer complied with ED requirements and to identify and address any noncompliance and internal control deficiencies. Therefore, it is important that your findings contain adequate information to provide perspective on any matters that will allow ED to identify areas of concern and take necessary corrective action.

A.3. EFFECTIVE DATE AND IMPLEMENTATION

This Guide is effective for fiscal years ending on or after December 31, 2020. Early implementation is not permitted. This Guide supersedes the March 2000 edition of the U. S. Department of Education's Audit Guide, *Audits of Guaranty Agency Servicers Participating in the Federal Family Education Loan (FFEL) Program*, and the related 2006 amendment.

This Guide is organized into three Chapters:

- Chapter 1 – General Requirements. Provides the purpose, background, implementation, and effective date of this Guide.
- Chapter 2 – Financial Statement Audits. Provides specific information and required procedures for performing financial statement audits of guaranty agency servicers.
- Chapter 3 – Compliance Attestation Engagements. Provides specific information and required procedures for performing compliance attestation engagements of guaranty agency servicers.

Throughout this Guide we use the terms “we,” “you,” and “your.” “We” means ED/OIG. “You” and “your” refer to the auditor(s) who are performing the financial statement audit and/or compliance attestation engagement. Under generally accepted government auditing standards (GAGAS), an auditor is an individual assigned to planning, directing, performing engagement

procedures or reporting on GAGAS engagements (including work on audits, attestation engagements, and reviews of financial statements) regardless of job title. Therefore, individuals who may have the title auditor, information technology auditor, analyst, practitioner, evaluator, inspector, or other similar titles are considered auditors under GAGAS and this Guide.

You are responsible for ensuring that you are using the most current version of this Guide, and/or considering all applicable amendments to it. You should periodically review the ED/OIG website for updated information regarding this Guide at: [OIG Non-Federal SEA website](#).

If you have questions about the compliance requirements discussed in this Guide or about audit resolution, contact ED's [Financial Institution Oversight Service](#). If you have questions about any other aspects of this Guide, or if you have any comments on or suggestions about improving this Guide, please send them to ignon-federalaudit@ed.gov.

A.4. ENGAGEMENT PERIODS

For the audits and compliance attestation engagements covered in this Guide, the period covered will be the guaranty agency servicer's fiscal year.

A.5. REPORT DUE DATES AND SUBMISSION

Financial statement audit reports and compliance attestation reports performed in accordance with this Guide are due no later than six months after the last day of the servicer's fiscal year.

The guaranty agency servicer may submit the reporting package electronically, in a PDF format, to fios.complianceaudits@ed.gov, provided any personal identifiable information is protected by encryption. The subject line should read "Guaranty Agency Servicer Financial Statement Audit and Compliance Attestation Engagement."

Failure to meet due dates may result in administrative proceedings leading to sanctions against the servicer.

A.6. COORDINATING FINANCIAL STATEMENT AUDITS AND COMPLIANCE AUDITS

Although not required, we recommend that the servicer engage the same auditor to perform the required financial statement audit in conjunction with the compliance attestation engagement.

If you are engaged to perform the audit of the servicer's financial statements and not the compliance attestation engagement, and the total amount of revenue attributable to the FFEL Program is material to the servicer's total revenue, this Guide requires you to consider the results of the compliance attestation engagement when reporting on the financial statements for the same period. You should include evidence that you considered the results of the compliance attestation engagement in the audit documentation for the financial statement audit.

B. PROFESSIONAL STANDARDS

The regulations at 34 C.F.R. § 668.23(d)(4) and § 682.416(e) require that the financial statement audit and the compliance audit be performed in accordance with *Government Auditing Standards* (i.e., generally accepted government auditing standards [GAGAS]), issued by the Comptroller General of the United States. All references to *Government Auditing Standards* are to the July 2018 revision (GAO-18-568G), available from the Government Accountability Office [Yellow Book](#) website. Specifically, the following standards apply:

- The financial statement audit must be performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* and, as applicable, Statements on Auditing Standards issued by the Auditing Standards Board of the American Institute of Certified Public Accountants (AICPA) and codified in the AU-C sections of the AICPA’s Professional Standards.
- The compliance attestation engagement must be performed in accordance with the standards applicable to examination engagements contained in *Government Auditing Standards* and, as applicable, the Statements on Standards for Attestation Engagements, which are codified in the AT-C section of the AICPA’s Professional Standards. AT-C section 315, *Compliance Attestation*, is particularly relevant to compliance attestation engagements.

Please note that in addition to incorporating the AICPA’s auditing and attestation standards, GAGAS contains additional requirements, including requirements pertaining to continuing professional education, independence, peer review, and performing and reporting on audits and attestation engagements. This Guide specifically discusses some of the requirements contained in GAGAS and the AICPA standards to emphasize those matters or provide guidance on how they apply to these engagements. However, you are responsible for complying with all of the applicable requirements and being familiar with the related guidance contained in the professional standards that apply to the financial audit and compliance attestation engagement. In addition, this Guide contains specific requirements and procedures that may go beyond what would otherwise be required in a GAGAS financial audit or compliance attestation engagement. You are required to comply with these requirements in addition to the professional standards described above.

All professional standard citations are current as of the issue date of this Guide. As revisions to applicable professional standards become effective, you should modify your audit and/or attestation performance and reporting as needed to comply with the revised standards.

C. REQUIRED AUDIT/ATTESTATION COVERAGE

GAGAS and the AICPA standards define two levels of professional requirements and use specific terminology to identify these requirements. This Guide uses these levels of requirements and terminology consistent with the standards. The two levels of requirements are unconditional requirements and presumptively mandatory requirements. Auditors must comply with unconditional requirements in all cases where the requirement is relevant. Unconditional requirements are identified using the term “must.” Auditors must also comply with

presumptively mandatory requirements in all cases where the requirement is relevant, except in rare circumstances where performing the required procedure would be ineffective in achieving the intent of the requirement. In those cases, the auditor should perform alternative procedures to achieve the intent of the requirement and must document the auditor’s justification for the departure from the required procedure (i.e., why performing the required procedure would not achieve the intent of the requirement, and how performing the alternative procedure(s) were sufficient to achieve that intent). Presumptively mandatory requirements are identified using the term “should.”

Unless otherwise noted, the audit/attest procedures in Chapters 2 and 3 are presumptively mandatory requirements. The auditor is expected to perform all of the procedures that are relevant to the particular engagement except in rare circumstances where the procedure would be ineffective in achieving the intent of the requirement. In those rare cases, the auditor must (1) document the auditor’s justification for departing from the procedure, (2) perform alternative procedures to achieve the intent of the requirement, and document how the alternative procedure achieved the intent of the requirement. In addition, the procedures in this Guide may not cover all possible circumstances that you may encounter at a particular servicer. It may be necessary for you to perform additional procedures during the financial statement audit or compliance attestation engagement due to specific circumstances encountered at the servicer or changes in compliance requirements in statutes or ED regulations. In such circumstances, you should supplement or revise these procedures as necessary, using professional judgment, to achieve the audit/attestation objectives and provide proper coverage.

D. REFERENCES AND RESOURCES

FFEL program requirements are set forth in statutes and ED regulations, with additional guidance provided in other sources identified in this Guide. While some explanatory background is included in this Guide, you should access and refer directly to the statute, regulations, and other criteria we cite when planning and performing the financial statement audit and compliance attestation engagement. Requirements and procedures governing the FFEL program may change from award year to award year. You should review regulations and ED guidance to ensure that you are using the requirements that were in effect during the period covered by your engagement. We recommend that you consult the Internet sources identified below prior to performing the financial statement audit and compliance attestation engagement to identify the requirements and materials that are pertinent to the engagement period. To ensure you are using the most current and appropriate guidance, you should first review our website for updated information regarding this Guide, at: [OIG Non-Federal SFA website](#)

The references you need to review include:

- The Higher Education Act of 1965, as amended (HEA), as codified in Title 20 of the U.S. Code, section 1001, *et seq.* The current codification is available at the Office of the Law Revision Counsel website ([U.S. Code](#)). ED’s “Dear Colleague Letters” and “Dear Partner Letters”, described below, should be reviewed for announcements of statutory changes.

- FFEL program regulations in 34 C.F.R. Part 682. All regulatory citations are to the July 1, 2019 volume unless otherwise noted. If your audit or attestation period includes a different year, you will need to look at earlier or subsequent volumes to ensure you use the regulations that were in effect during the period under review. Current regulations are available at the Electronic Code of Federal Regulations website at: [Current CFR-ED](#) and regulations for multiple years are at [CFR by Year](#).
- ED’s “Dear Colleague Letters”, “Dear Partner Letters,” electronic announcements, and publications are available at ED’s [Information for Financial Aid Professionals](#) website and the [Financial Partners Portal](#).
- The AICPA has established a Governmental Audit Quality Center. The Center’s website, many parts of which are accessible to non-members, contains links to information for auditors performing engagements under *Government Auditing Standards*, including engagements performed under this Guide. That website is available at: [AICPA-GAQC](#).

E. AUDITOR QUALIFICATIONS

E.1. GENERAL REQUIREMENTS

To perform audits in accordance with GAGAS, auditors and audit firms should meet the standards discussed in GAS Chapters 3 through 5 related to (1) Ethics, Independence, and Professional Judgment; (2) Competence and Continuing Professional Education, and (3) Quality Control and Peer Review.

E.2. LICENSING REQUIREMENTS

To perform the financial statement and compliance attestation engagements covered by this Guide, auditors should be licensed certified public accountants, persons working for licensed certified public accounting firms, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than certified public accountants (GAS 6.04 and 7.07).

You and your audit firm should also comply with applicable provisions of the public accountancy laws and rules of the jurisdiction in which you are licensed *and* the public accountancy laws and rules of the jurisdiction where the engagement is being conducted. If the servicer is located in a jurisdiction outside your home jurisdiction, this Guide requires that you document, in the audit/attestation work papers (or a central file at the firm available upon request), that you complied with the applicable jurisdiction’s public accountancy licensing requirements in effect at the time the audit/attestation engagement was performed.

Practice mobility for certified public accountants is the general ability of a licensee in good standing from a substantially equivalent state to gain practice privilege outside of their home state without getting an additional license in the state where they will be serving a client or an employer. The AICPA and National Association of State Boards of Accountancy have developed an online tool to help certified public accountants and accounting firms understand the

implications of mobility and assist in determining whether mobility applies to their situation. The tool is located at CPAMobility.org

E.3. INTERNAL AUDITORS

A servicer's internal auditors are not independent of the servicer when auditing/attesting within it. Therefore, internal auditors cannot perform financial statement audits or compliance engagements prescribed by this Guide.

You may consider the work of internal auditors in performing a financial statement audit or compliance attestation engagement. You should follow AU-C § 610, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* or AT-C § 205.39-.44 *Using the Work of Internal Auditors* in an examination engagement, as applicable, depending on the type of engagement to be performed and whether you're using the work of the internal audit function in obtaining evidence or using internal auditors to provide direct assistance.

F. AUDIT QUALITY AND AUDIT DOCUMENTATION

F.1. AUTHORITY

The regulations at 34 C.F.R. § 668.23(e)(1) provide that servicers must require an individual or firm conducting an audit of their program to give ED and ED/OIG access to records, audit/attestation documentation, or other documents necessary to review the audit/attestation engagement, including the right to obtain copies of those records or documents.

The Inspector General Act of 1978 requires Inspectors General to take appropriate steps to ensure that any work performed by Non-Federal auditors complies with applicable standards. Accordingly, we select audits/attestation engagements and conduct (or engage contractors to conduct on our behalf) Quality Control Reviews of work performed by Non-Federal auditors, including audits/attestation engagements performed in accordance with this Guide. Also, ED officials monitor and resolve audit/attestation engagement findings of participating servicers. Such monitoring and audit/attestation engagement resolution may require access to and copies of audit/attestation documentation.

All audit/attestation supporting documentation must be made available, and photo or electronic copies of audit/attestation documentation provided upon request to ED, ED/OIG, or their contractors or representatives.

F.2. DEFICIENT AUDIT/ATTESTATION WORK

If quality deficiencies in the audit/attestation report or the associated documentation of work are found during a Quality Control Review, we may instruct you to take corrective action. If we determine that the report and/or documentation of work are unacceptable (i.e., contains quality deficiencies that may affect the reliability of the audit report and/or may require the auditor to conduct additional audit work to support the opinions in the report under review), we may refer

the matter to the appropriate licensing bodies in the state in which you are located and/or to professional associations of which you are a member. Action may also be initiated to debar you from further participation in audits and attestation engagements of Federal programs. We may also recommend that ED reject the audit reports.

F.3. RETENTION OF AUDIT/ATTESTATION DOCUMENTATION

You should retain audit/attestation documentation and reports for a minimum of five years (AU-C § 230.17 and AT-C § 105.36) after the date of issuance of the financial statement audit report and/or compliance attestation engagement report to the servicer, unless a pertinent law or regulation provides for a longer retention period, or you are notified in writing by ED or ED/OIG to extend the retention period. You should keep all records questioned by an audit or attestation engagement, investigation, or other review until the resolution of the questioned items.

F.4. CONFIDENTIALITY OF COMMERCIAL INFORMATION IN AUDIT/ATTESTATION DOCUMENTATION

Confidential commercial information, as defined by the Freedom of Information Act, means trade secrets and commercial or financial information that is privileged or confidential. If your audit/attestation documentation contains confidential commercial information, you should take appropriate steps to identify that information in the audit/attestation documentation to protect its confidentiality.

If we request you to submit audit/attestation documentation (electronically or photocopies) and we subsequently receive a request under the Freedom of Information Act for information that you have designated as confidential commercial information, we will make an independent determination under the Freedom of Information Act of whether that information meets the criteria for exemption from release. To the extent permitted by law, we will make a good faith effort to notify you and provide you with an opportunity to object if we disagree with your identification of the information as confidential commercial information. We will also make a good faith effort to provide the servicer an opportunity to object if the confidential commercial information concerns the servicer.

If you have not designated the information as confidential commercial information in the audit/attestation documentation, we may assume that it does not include such information and may release it in response to a Freedom of Information Act request.

G. PRIVACY RIGHTS OF STUDENTS AND PARENTS AND AUDITOR ACCESS TO RECORDS

Personally Identifiable Information (PII) is defined by 34 C.F.R. § 99.3 as any information about an individual maintained by an agency or its servicer that can be used to distinguish or trace an individual's identity, such as his or her name, social security number, date and place of birth, mother's maiden name or any other personal information which can be linked to an individual and is prohibited in the compliance audit/attestation engagement report.

The Family Educational Rights and Privacy Act requires schools and servicers administering funds to protect the privacy of student and parent records. According to 34 C.F.R. § 99.31(a)(4), the servicer can make PII available to you without a student's or parent's consent if that disclosure is for the purpose of determining eligibility for the aid received, the amount of aid received, the conditions for the aid received, or enforcing the terms and conditions of the aid. Financial statement and compliance attestation engagements conducted under this Guide are required under ED regulations for such purposes. If the servicer refuses to provide PII to you necessary to conduct any part of the engagement, immediately contact the ED/OIG Non-Federal Audit Team at oinon-federalaudit@ed.gov for advice on how to proceed. Please note that you are also required to maintain the confidentiality of PII and may only disclose it for authorized purposes.

H. PROCEDURES APPLICABLE TO ALL ENGAGEMENTS

H.1. REPORTING FRAUD

In performing the audit or attestation engagement, you should exercise due professional care when pursuing any indication of fraud, so that potential future investigations or legal proceedings are not compromised. If you detect indications of fraud related to FFEL program funds, or if you learn that management identified possible fraud related to FFEL program funds and failed to report the possible fraud, you must report this immediately to the appropriate regional office of ED/OIG's, Investigation Services (OIG/IS) in accordance with AU-C § 240.42, AT-C § 205.33, and GAS 6.13/7.15. A listing of these offices and contact information can be found on [OIG/IS website](#).

After reporting the matter immediately, promptly prepare a separate written report concerning fraud or indications of such activities. The report must include all information required for reporting a finding as outlined in GAS 6.50-6.52/7.48-.50. This report must be submitted to the appropriate ED OIG/IS regional office either within 30 days after the date of discovery of the act, or within the time frame agreed to by you and the ED OIG/IS. The transmittal should request ED OIG/IS to reply by letter or email to you to acknowledge receipt of the report. It should also request that ED OIG/IS (1) advise you if you can also submit the separate written report with your financial audit and/or compliance engagement reports to ED, and (2) whether you can reflect the contents of the separate report in your financial audit and/or compliance engagement reports. You should retain the ED OIG/IS acknowledgement in your audit/attestation documentation.

You should not submit the separate written report with your financial audit and/or compliance engagement reports to ED, unless the ED OIG/IS has advised you in writing that you may do so. Also, you should not reflect the contents of the separate report in your financial audit and/or compliance engagement reports, unless the ED OIG/IS has advised you in writing that you may do so. If excluding this information from your financial audit and/or compliance engagement reports would cause a departure from auditing standards, contact the Non-Federal Audit team at oinon-federalaudit@ed.gov to discuss how the matter should be handled.

H.2. ENGAGEMENT LETTER

An engagement letter between you and the servicer should be prepared and should include the following:

- A statement that the engagement is to be performed in accordance with GAGAS and this Guide.
- A description of the scope of the engagement and the related reporting that will meet the requirements of this Guide.
- A statement that the auditor(s), the audit firm, its partners, assigned audit staff or contractors capable of substantially influencing the development or outcome of the engagement are not currently debarred from participating in any procurement and non-procurement transactions of any Federal executive branch agency.
- Disclose the names of any contractors, or staff of the auditor or the firm, that will be working on the engagement that are debarred from participating in any procurement and non-procurement transactions of any Federal executive branch agency.
- A statement that both parties understand that ED will use the auditor's report to help carry out its oversight responsibilities of the FFEL program.
- A statement that the servicer provides the auditor all required representations and assertions, as well as the required corrective action plan if findings are disclosed during the financial statement auditor or compliance attestation engagement.
- A statement that the servicer has informed the auditor of early implementation on any regulatory changes.
- A statement that the servicer understands that the auditor is required to immediately report to the ED's OIG, Investigation Services any indications of fraud related to FFEL program funds or any possible fraud identified by management that was not appropriately reported.
- A provision that the auditor should provide upon request from ED, the ED/OIG, or their representatives, access to audit/attestation documentation, including access to audit/attestation information stored in electronic format, and including the ability to retain copies of that information in paper or electronic form.
- A provision that the auditor should retain audit/attestation documentation and reports for a minimum of five years after the date of issuance of the auditor's report(s) to the entity, unless a pertinent law or regulation provides for a longer retention period, or the auditor is notified in writing by ED or us to extend the retention period.

- A provision that the auditor provides a copy of his/her firm’s most recent external peer review report to the servicer procuring the auditor’s services when requested, and will provide any subsequent external peer review reports during the life of the contract, when requested.

H.3. REPRESENTATIONS FROM THE SERVICER’S MANAGEMENT AND INQUIRY OF LEGAL COUNSEL

You should obtain required written representations from the servicer’s management as part of the financial statement audit and compliance engagement. You should also make inquiries of the servicer’s legal counsel as part of the financial statement audit. Guidance on obtaining written representations as part of the financial statement audit is provided in the AICPA’s Professional Standards, AU-C § 580, *Written Representations* and AU-C § 501, *Audit Evidence—Specific Considerations for Selected Items*, Paragraphs 16-24. Guidance on obtaining written representations as part of the compliance attestation engagement is available at AT-C § 205 *Examination Engagements*, paragraph 50; and §315 *Compliance Attestation*, paragraph 17.

CHAPTER 2 – FINANCIAL STATEMENT AUDITS

This chapter provides guidance to you and sets forth specific requirements for auditing financial statements of servicers that enter into a contract with a guaranty agency to administer any aspect of the guaranty agency's programs. Chapters 1 and 2 of this Guide set out the requirements for auditing financial statements. The AICPA Audit Guide, *Government Auditing Standards and Single Audits*, Chapters 1-4, is a resource that auditors may find useful when conducting audits of financial statements in accordance with GAGAS.

A. INTRODUCTION

A.1. FINANCIAL STATEMENT REQUIREMENTS

According to 34 C.F.R. § 668.23(d)(4), a servicer that contracts with a guaranty agency to administer any aspect of the guaranty agency's programs must submit annually an audited financial statement. The financial statement must be prepared on the accrual basis in accordance with generally accepted accounting principles and audited by an independent auditor in accordance with GAGAS and this Guide. As described in Chapter 1, Section A.1, this Guide does not apply to servicers that are State, local, or nonprofit organizations subject to single audits in accordance with the audit requirements of Uniform Guidance, provided that the single audit covers the portfolios of the guaranty agencies the servicer has contracted with.

Generally, a servicer's financial statements are audited in accordance with auditing standards generally accepted in the United States. If the servicer is an entity covered by the Sarbanes-Oxley Act of 2002 (SOX), the audit is performed in accordance with standards promulgated by the Public Company Accounting and Oversight Board (PCAOB). This Chapter describes these requirements and provides guidance for you in meeting them.

A.2. SERVICERS COVERED BY THE SARBANES-OXLEY ACT OF 2002

Entities that issue shares of stock that are publicly traded on a stock exchange are subject to regulation by the Securities and Exchange Commission (SEC) and the PCAOB. Audits/attestation engagements of such publicly traded entities must meet the regulatory requirements of both the SEC and the PCAOB.

Some servicer's administering guaranty agency programs are owned by entities that are required to register with the SEC and submit SOX compliant reports for having stock that is publicly traded. Some of the significant SOX requirements that affect servicer's administering FFEL programs are:

- The servicer's management must report on the adequacy of internal control over financial reporting and the auditor must opine on management's assertion.
- Audit firms engaged to perform audits of a servicer may not render certain specific services on behalf of the servicer (i.e., bookkeeping, information technology design/implementation, appraisal/valuation services, actuarial services, internal audit,

management functions or human resources, broker/dealer investment advisor or investment banking services, legal services, and expert services unrelated to audit).

- The servicer’s audit committee must approve audit and non-audit services before such services are rendered.
- All material correcting adjustments identified by the audit firm must be disclosed.
- All material off-balance sheet transactions must be disclosed.
- Disclosures of servicer’s management and principal stockholder transactions are enhanced.
- The audit firm must be registered with PCAOB.
- The lead and review audit partners must rotate off the engagement every five years.
- Audit firm personnel associated with the audit of the servicer must wait one year before gaining employment from the servicer as the chief executive officer, controller, chief financial officer, chief accounting officer, or equivalent position.
- The audit firm must retain records of audit documentation for seven years from the date of the report (P.L. 107-204 § 103(a)(2)(A)(i)).

B. CONSIDERING INTERNAL CONTROL IN A FINANCIAL STATEMENT AUDIT

Guidance on the consideration of internal control in the financial statement audit is provided in GAGAS and AU-C § 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*. Your responsibility to communicate significant deficiencies and material weaknesses in internal control is discussed in AU-C § 265 *Communicating Internal Control Deficiencies Identified in an Audit*.

C. CONSIDERING FRAUD IN A FINANCIAL STATEMENT AUDIT

Auditing standards require you to design an engagement to provide reasonable assurance that the financial statements as a whole are free from material misstatement, whether caused by fraud or error (AU-C § 240.05). To do this, you should be aware of fraud and high-risk areas for the activities and program being audited and recognize any basic weaknesses in internal control including computer security controls. You should also document your work related to detecting fraud, including discussions on the potential for material financial statement misstatement due to fraud (AU-C § 240.15).

The audit documentation should show that you considered and looked for evidence of fraud in a financial statement audit. Guidance on what you are to consider is discussed in detail in AU-C

§ 240 *Consideration of Fraud in a Financial Statement Audit*. Among other things, AU-C § 240 specifies the following:

- The engagement team should hold a discussion regarding the susceptibility of the entity's financial statements to material misstatement due to fraud, including how management could perpetrate and conceal fraudulent financial reporting, how assets of the entity could be misappropriated, known external and internal factors affecting the entity that may create an incentive or pressure for management or others to commit fraud, and the risk of management and override of controls (AU-C § 240.15).
- Procedures to be performed to obtain information for use in identifying and assessing the risks of material misstatement due to fraud (AU-C § 240-.16 through .24).
- Procedures for identifying and assessing the risks of material misstatement due to fraud that were identified (AU-C § 240.25 through .27) and responding to those risks (AU-C § 240.28 through .33).

The auditor should include in the audit documentation the following (AU-C § 240.43 through .46):

- Significant decisions reached during the engagement team's fraud discussion, how and when the discussion occurred, and audit team members who participated.
- The identified and assessed risks of material misstatement due to fraud at the financial statement and assertion levels.
- The overall responses to the assessed risks of material misstatement due to fraud at the financial statement level and the nature, timing and extent of audit procedures and the linkage of those procedures with the assessed risks of material misstatements due to fraud at the assertion level.
- The results of the procedures performed to further address the risk of management override of controls.
- The reasons supporting your conclusion, if you have not identified improper revenue recognition as a risk of material misstatement due to fraud.
- The nature of the communications about fraud made to management, those charged with governance, regulators, and others.

D. COMMUNICATING WITH THOSE CHARGED WITH GOVERNANCE

You should determine whether certain matters related to the conduct of an audit are communicated to those who have responsibility for oversight of the financial reporting process. Guidance on making the determination when there is an audit committee, when an audit committee is required, and your responsibilities for communicating with the audit committee are

discussed in detail in AU-C § 260, *The Auditor's Communication With Those Charged With Governance*.

E. FINANCIAL STATEMENT REPORTING

E.1. GAGAS REQUIREMENTS

GAGAS establishes requirements for financial audits that go beyond Generally Accepted Auditing Standards (GAAS) (GAS 6.02). The additional GAGAS requirements should be met for financial audits of servicer's administering FFEL programs. Those additional requirements are:

- Reporting your compliance with GAGAS (GAS 6.36-6.38).
- Reporting on internal control and compliance with provisions of laws, regulations, contracts, and grant agreements, and instances of fraud (GAS 6.39-6.49).
- Presenting findings in the audit report (GAS 6.50-6.52)
- Reporting findings directly to parties outside the audited entity (GAS 6.53-6.56)
- Obtaining and reporting views of responsible officials (GAS 6.57-6.62).
- Reporting confidential or sensitive information (GAS 6.63-6.69).
- Distributing reports (GAS 6.70).

E.2. FINANCIAL STATEMENT REPORT PACKAGE CONTENTS

The financial statement report consists of the components described in this section. The format and content of some of these components are illustrated in the examples provided in Section E.3 of this chapter.

- **Title Page.** The title page is the first page of the report. It must clearly state the name of the audited servicer and the fiscal year ending date.
- **Opinion on Financial Statements.** This is your report stating that you performed the audit in accordance with GAGAS and GAAS *and* providing your opinion on the fairness of the presentation of the servicer's financial statements. An example of this report is below in Chapter 2, Section E.3-1.
- **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*.** In this report you should identify all identified significant deficiencies and material weaknesses in internal control over financial reporting. Some examples of this report are below in Chapter 2, Sections E.3-2a through E.3-2d.

An example of the Schedule of Findings and Questioned Costs is shown in Chapter 3, Section D.7-4. Refer to the current version of the AICPA Audit Guide, *Government Auditing Standards and Single Audits* for guidance on reporting under GAAS and GAGAS and example reports.

You may also access illustrative reports excerpted from this AICPA Guide at the AICPA Governmental Audit Quality Center located at the following link:

[AICPA GAQC - Illustrative Auditor's Reports](#)

E.3. ILLUSTRATIVE FINANCIAL STATEMENT REPORTS

The format and content of selected standard auditor(s)' reports on financial statements and on internal controls over financial reporting and on compliance are demonstrated in the following examples. All reports should be on formal letterhead representing the independent auditor's firm.

Section	Title
E.3-1	Unmodified Opinion on Financial Statements
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 <i>Government Auditing Standards (No Material Weaknesses Identified; No Significant Deficiencies Identified; No Reportable Instances of Noncompliance or Other Matters Identified)</i>
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 <i>Government Auditing Standards (No Material Weaknesses Identified; Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)</i>
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 <i>Government Auditing Standards (Material Weaknesses Identified; No Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)</i>
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 <i>Government Auditing Standards (Material Weaknesses and Significant Deficiencies Identified; Reportable Instances of Noncompliance and Other Matters Identified)</i>

E.3-1 Opinion on Financial Statements

[This report will be made available once the 2020 AICPA Illustrative Reports are published]

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)

[This report will be made available once the 2020 AICPA Illustrative Reports are published]

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)

[This report will be made available once the 2020 AICPA Illustrative Reports are published]

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*)

[This report will be made available once the 2020 AICPA Illustrative Reports are published]

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)

[This report will be made available once the 2020 AICPA Illustrative Reports are published]

CHAPTER 3 – COMPLIANCE ATTESTATION ENGAGEMENT

A. INTRODUCTION

In accordance with the FFEL program regulations at 34 C.F.R. § 682.416(e), a guaranty agency servicer must have an independent audit of its administration of the FFEL program loan portfolio unless (1) the servicer contracts with only one guaranty agency and (2) the audit of that guaranty agency's FFEL programs involves every aspect of the servicer's administration of those FFEL programs. The compliance audit must be conducted in accordance with *Government Auditing Standards* and this Guide. As described in Chapter 1, Section A.1, this Guide does not apply to servicers that are State, local, or nonprofit organizations subject to single audits in accordance with the audit requirements of Uniform Guidance, provided that the single audit covers the portfolios of the guaranty agencies the servicer has contracted with. To satisfy the compliance audit requirement, this Guide requires an examination-level attestation engagement relating to the servicer management's assertions about certain compliance aspects related to the FFEL program.

This chapter discusses planning considerations and identifies the compliance requirements, attestation objectives, and attestation procedures for compliance requirements pertaining to the FFEL program that must be tested in the compliance attestation engagement when applicable to the audited entity.

The servicer should provide its management's assertions in a letter to you. In their letter, servicer management should assert that it complied with applicable requirements for each of the requirements described in Chapter 3, Section C for which it provided service. Servicer management should also provide all of the management representations described in the AICPA's Attestation Standards at AT-C §§ 205.50 and 315.17. If the scope of a compliance attestation engagement is restricted because the servicer refused to furnish the appropriate written representations, ED may initiate administrative proceedings leading to sanctions against the servicer.

You are responsible for drawing a conclusion on the servicer's compliance with the compliance requirements applicable to the contracted services or functions, regardless of whether the contracted services or functions are provided by the servicer or by a subcontractor.

Servicers must maintain or have access to sufficient information to make the assertions. In cases where a servicer has subcontracted its contractual responsibilities for FFEL program requirements covered in this Guide, the auditor may need to perform the required procedures at the subcontractor. To the extent that information and documentation needed to determine the servicer's compliance with criteria for the applicable attestation objectives is not available, you should conclude that you are unable to obtain sufficient evidence on which to base an opinion on compliance with the applicable requirements. This would result in disclaiming an opinion on the servicer's compliance with the requirements.

B. PLANNING CONSIDERATIONS FOR THE COMPLIANCE ATTESTATION ENGAGEMENT

The objective of a compliance attestation engagement is to assess a servicer's compliance with criteria established by provisions in the HEA and regulations and to obtain sufficient evidence on compliance to form an opinion. The following are common to all compliance attestation engagements performed in accordance with this Guide.

B.1. CONTRACTING WITH MORE THAN ONE GUARANTY AGENCY

A servicer that contracts with more than one guaranty agency may submit a single compliance attestation engagement report that covers the applicable compliance requirements in Chapter 3 relating to the servicer's administration of the FFEL program for each guaranty agency with which the servicer contracts. Servicers should complete the Guaranty Agency Servicer Information Sheet (see Chapter 3, Section D.7-3), including the associated matrix, identifying their guaranty agency clients and the compliance functions performed for each.

B.2. REFERENCE MATERIALS

In addition to the references and resources specified in Chapter 1, Section D, to perform a compliance engagement, you must be familiar with these publications—

- [*Guaranty Agency Financial Report ED Form 2000 Instruction Guide*](#)
- [*Financial Management System Guaranty Agency User Guide*](#)
- [*National Student Loan Data System \(NSLDS\) Guaranty Agency Data Provider Instructions*](#)

You should also be familiar with the servicer's (and/or its clients') —

- Written procedures relating to how it administers servicing of client's responsibilities under the FFEL program
- Guaranty Agency Financial Report – ED Form 2000
- NSLDS Enrollment Reporting
- Summary and detailed loan records and supporting loan records
- Servicer contracts with guaranty agencies
- If applicable, expired Voluntary Flexible Agreements with ED that allowed deviation from certain requirements

You must be familiar with the relevant provisions in the referenced materials listed above, and in any other materials we cite in this Guide. Program requirements may change at any time, and

you must ensure that you use the guidance that is in effect during the audit period. You must do this by obtaining our most current Guide update at: [OIG Non-Federal SEA website](#).

B.3. ATTESTATION RISK

The attestation documentation should evidence your assessed level of risk. Attestation risk is the risk that you express an inappropriate opinion or conclusion, as applicable, when the subject matter or assertion is materially misstated. You should design and implement overall responses to address the assessed risks and should obtain sufficient appropriate evidence to reduce attestation risk to an acceptably low level (AT-C § 105.10 and AT-C § 205.19-.20).

B.4. CONSIDERING INTERNAL CONTROL IN THE COMPLIANCE ENGAGEMENT

Relevant guidance for the consideration of internal control in the compliance attestation engagement is provided in AT-C § 205 and AT-C § 315.

To meet the objectives of this Guide, you should document your understanding of internal control over compliance for each compliance assertion sufficient to plan the engagement and to assess control risk. In order to obtain this understanding, you should inquire of management, supervisors, and staff personnel; inspect the servicer documents; and observe the servicer's activities and operations.

The FFEL program may be administered by more than one organizational component within a servicer or by a separate entity that the servicer subcontracts with to perform its contractual responsibilities. A component or subcontractor may maintain separate or different internal control, policies, and/or procedures for ensuring compliance. In such cases, you should assess the controls in place at each component or subcontractor that administers a material portion of the program activity. This should involve obtaining an understanding of the functions performed on behalf of the guaranty agency and the servicer by the subcontractor.

A deficiency in internal control over compliance 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 noncompliance with a compliance requirement of the FFEL program on a timely basis. Consistent with GAS 7.42, for all compliance attestation engagements performed in accordance with this Guide, you should report identified deficiencies in internal control over compliance that are material weaknesses and significant deficiencies in internal control over compliance, as defined below:

Material Weakness: A deficiency or combination of deficiencies in internal control over compliance that results in a reasonable possibility that material noncompliance with a type of compliance requirement will occur that will not be prevented, or detected and corrected, on a timely basis.

Significant Deficiency: A deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet

is important enough to merit attention by those charged with governance.

B.5. CONSIDERING FRAUD IN THE COMPLIANCE ENGAGEMENT

Relevant guidance for the consideration of fraud in the compliance attestation engagement is provided in AT-C § 205. During the engagement, you should consider whether your risk assessment procedures and other procedures related to your understanding of the servicer's compliance indicate risk of material noncompliance due to fraud. You should also make inquiries of appropriate parties to determine whether they have knowledge of any actual, suspected, or alleged fraud, evaluate whether there are unusual or unexpected relationships that indicate risks of material noncompliance due to fraud, and respond appropriately to fraud or suspected fraud (AT-C § 205.32).

B.6. MATERIALITY FOR PURPOSES OF PROVIDING COMPLIANCE OPINION

Materiality for purposes of compliance differs from materiality for financial reporting purposes. In accordance with AT-C § 205.16 and § 315.12, for compliance attestation engagements, you should consider materiality for each type of compliance requirement. Materiality should be considered in the context of qualitative factors and, when applicable, quantitative factors. Keep in mind that consideration of materiality is affected by the nature of the compliance requirements, which may or may not be quantifiable in monetary terms. You should issue a qualified or adverse opinion when reporting instances of noncompliance that individually or collectively are material in relation to each type of compliance requirement.

B.7. SAMPLING METHODOLOGY

The sample(s) required by this chapter should be selected randomly. In selecting a sample, consideration should be given to the systems used to provide services and the sample(s) should also include transactions that flow through all systems used by the servicer. Use professional judgment in determining the sample universes and sizes and ensure that the sample relates to an attestation objective and to all functions performed by the servicer. For example, if a servicer provides a type of assistance, in applying the required procedures, you should include a sample of actions from those affecting all clients for whom this service is provided in evaluating compliance with regulations and requirements.

The AICPA Audit Guide, Government Auditing Standards and Single Audits, contains auditor guidance for, among other things, designing an audit approach that includes audit sampling. It also includes suggested minimum sample sizes for tests of compliance based on certain engagement-specific inputs. The AICPA Audit Guide, Audit Sampling, also provides additional guidance and technical background.

The attestation documentation should describe the sampling methodology that has been employed, including information that identifies the size and content of the universes from which samples are drawn, including number of transactions/events and, if applicable, total dollar values associated with the universes. When selecting a representative sample of borrowers from

NSLDS, data from the guaranty agency's most recent NSLDS extract should be used as the sample universe.

B.8. SAMPLE RESULTS THAT REQUIRE PROJECTIONS

If you determine that material noncompliance exists within one of the samples, you should report an estimated total for Title IV questioned costs where the standard error of the estimate does not exceed 12% of the estimate. The estimate for total amount of questioned costs should have sufficient precision so that the margin of error, or the amount added to or subtracted from the point estimate for a 90% confidence interval, does not exceed one-fifth of the estimate. An expanded sample may be required in order to achieve this confidence level. Additionally, you should estimate the percentage of errors. Sampling results for samples requiring projection must include information on the population, sample size, error found in the sample, projected total questioned costs, and projected error rate. For estimated costs or attribute percentages, precision should be expressed with 90% confidence intervals for the estimates.

B.9. REPORTING NONCOMPLIANCE

All noncompliance identified by you during the compliance engagement, and all material noncompliance identified by the servicer and disclosed to you during the engagement, should be reported as findings in the Schedule of Findings and Questioned Costs. This applies even when corrective action was taken by the servicer after becoming aware of the noncompliance. The only exception is for matters concerning fraud or indications of fraud that cannot be reported per the provisions of Chapter 1, Section H.1.

As part of the written representations obtained from the servicer's management, you should request written representations stating that management has disclosed to you all deficiencies in internal control of which it is aware and its knowledge of any actual, suspected, or alleged noncompliance (AT-C § 205.50i). The servicer's disclosure to you should include, but is not limited to, any noncompliance self-reported to ED.

Findings affecting specific transactions should identify each guaranty agency for which transactions are affected and summarize the effect for each guaranty agency's transactions. Attestation documentation should identify specific transactions by affected guaranty agency.

B.10. FOLLOW-UP ON RESOLUTION OF PRIOR AUDIT/ATTESTATION FINDINGS

A schedule of the Auditor's Comments on the Resolution of Prior Findings should be included as part of every compliance attestation engagement report (even if there were no prior findings-see discussion at Chapter 3, Section D.5. and an exhibit at Chapter 3, Section D.7-5). In accordance with GAS 7.13, you should evaluate whether the servicer has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a significant effect on the subject matter. When planning the engagement, you should ask management to identify previous audits, attestation engagements, guaranty agency reviews, program reviews, and other studies that directly relate to the servicer's compliance with the

FFEL program requirements in this Guide, including whether related recommendations have been implemented. You should use this information in assessing risk and determining the nature, timing, and extent of current work and determining the extent to which testing that corrective actions have been implemented is applicable to the current engagement objectives.

C. COMPLIANCE REQUIREMENTS AND ATTEST PROCEDURES

This section identifies and describes compliance requirements guaranty agencies must meet. Except for the management assertions, you should consider the term “agency” or “guaranty agency” referred to in this section as applying to a servicer acting on behalf of the guaranty agency. This section also establishes the attestation procedures you should perform to determine whether these requirements have been met. You may need to conduct additional procedures to satisfy the attestation objectives based on your professional judgment and/or because of changes in compliance requirements not reflected in this Guide.

C.1. FEDERAL AND OPERATING FUNDS

This section covers compliance requirements the servicer may perform relating to establishing and maintaining the Federal Fund and Agency Operating Fund.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Federal Fund and Agency Operating Fund attestation objective included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.1.1. Federal Fund and Agency Operating Fund

Attestation Objective:

Determine whether the required amounts were credited to the Federal and Operating Funds and whether the resources of each fund were used solely for authorized purposes.

Background:

Guaranty agencies must establish and maintain separate funds designated as the Federal Fund and the Agency Operating Fund.

Federal Fund

The assets of the Federal Fund and the earnings on those assets are, at all times, the property of the United States. The guaranty agency must establish and maintain the Federal Fund in accordance with the requirements at 34 C.F.R. § 682.419.

A guaranty agency or its servicer must deposit into the Federal Fund the following:

- a. The total amount of insurance premiums or Federal default fees collected.
- b. Federal payments for default, bankruptcy, death, disability, closed school, false certification, and other claims.
- c. Federal payments for supplemental preclaims assistance activities performed before October 1, 1998.

- d. All funds received (not net proceeds) by the guaranty agency from any source on FFEL loans on which a claim has been paid, within 48 hours of receipt of those funds, minus the portion the agency is authorized to deposit in its Operating Fund.
- e. Investment earnings on the Federal Fund.
- f. Revenue derived from the Federal portion of a nonliquid asset.
- g. Other funds received by the guaranty agency from any source that are specifically designated for deposit in the Federal Fund.
- h. Other receipts as specified in 34 C.F.R. § 682.419(b).

The Federal Fund may only be used to pay lender insurance claims, to transfer default aversion fees into the Operating Fund; and for other purposes listed in 34 C.F.R. § 682.419(c), including for any other purpose authorized by the Secretary.

Funds transferred to the Federal Fund shall be invested in obligations issued or guaranteed by the United States or a State, or in other similarly low-risk securities (34 C.F.R. § 682.410(a)(5)). Earnings from the Federal Fund shall be the sole property of the Federal Government (34 C.F.R. § 682.419(a)).

Operating Fund

Except for funds that may have been transferred from the Federal Fund, the Operating Fund is considered the property of the guaranty agency. The guaranty agency must establish and maintain the Operating Fund in accordance with the requirements at 34 C.F.R. § 682.423.

The guaranty agency shall deposit into the Operating Fund the following:

- a. Account maintenance fees.
- b. Default aversion fees.
- c. The portion of the amounts collected on defaulted loans that remains after the Secretary's share of collections has been paid and the complement of the reinsurance percentage has been deposited into the Federal Fund.
- d. Other receipts as specified in 34 C.F.R. § 682.423(b).

Funds in the Operating Fund may only be used for application processing, loan disbursement, enrollment and repayment status management, default aversion activities, default collection activities, school and lender training, financial aid awareness and related outreach activities, compliance monitoring, and other student financial aid-related activities for the benefit of students.

Criteria: 34 C.F.R. § 682.410(a)(5)
34 C.F.R. § 682.419
34 C.F.R. § 682.423

Guidance: [DCL 99-G-316](#); Subject: Provisions of the Higher Education Amendments of 1998 (Pub. L. 105-244) that relate to the Federal Fund and Operating Fund used by guaranty agencies in the Federal Family Education Loan Program
[DCL 00-G-328](#); Subject: Regulatory and Operational Guidance to All Guaranty Agencies Concerning the Federal Share of Collections.

Required Procedures:

- C.1.1.a Review revenue records to assure that amounts required to be credited to the Federal and Operating Funds were so credited, including ascertaining that investment earnings were deposited in the Federal Fund.
- C.1.1.b Review revenues and receipts that were not credited to the Federal or Operating Funds to assure that they were not inappropriately omitted.
- C.1.1.c Test expenditures charged to the Federal and Operating Funds to ascertain if they were made for permissible uses.
- C.1.1.d Review investment activity during the period to ascertain that Federal Fund assets were invested in approved securities or other instruments.
- C.1.1.e. Examine the general journal for significant unusual entries that impact the Federal or Operating funds.

C.2. REPORTING

This section covers compliance requirements the servicer may perform relating to the monthly, monthly/quarterly, and annual ED Form 2000 reports and loan details reported to NSLDS.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Reporting attestation objectives included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.2.1. ED Form 2000

Attestation Objective:

Determine whether monthly, monthly/quarterly, and annual ED Form 2000 reports agree with system information and supporting records and that supporting records are updated for information received on a timely basis.

Background:

Each guaranty agency is required to report information about its operation of the FFEL program in the manner required by the Secretary, in accordance with 34 C.F.R. § 682.414(b). The Secretary requires that guaranty agencies use the Guaranty Agency Financial Report, ED Form 2000, to request payments from and make payments to ED under the FFEL Program. ED also uses this information to monitor the agency's financial activities, including activities concerning its federal fund and operating fund. Guaranty agencies submit the ED Form 2000 monthly, monthly/quarterly, and annually.

The Monthly Report requires information concerning the guaranty agency's claims, collections, and related activity over a monthly period. The Monthly/Quarterly Report reports on amounts owed to ED on accounts held by the guaranty agency, including an estimate of the age of these amounts. The Annual Report provides ED with information on the guaranty agency's activities concerning loan guarantees, claims paid to lenders and the agency's financial activities, including activities concerning its Federal Fund, and the agency's Operating Fund.

In determining which amounts to test on the ED Form 2000, particular attention should be given to the September 30 amounts for current year defaults, current year collections, loans receivable and the sources and uses of funds in the Federal Fund (or equivalent line items pertaining to the Federal/Operating Funds for the September 30 report). Guaranty agencies are required to submit loan level detail information to NSLDS (see Chapter 3, Section C.2.2 below). Information on the ED Form 2000 must be consistent with and comparable to relevant information reported to NSLDS by the guaranty agency.

Although the reports require summary level information, guaranty agencies must maintain detailed records to support each entry on the ED Form 2000 and be able to reconstruct the entries

back to individual loan, borrower or lender levels, or to specific guaranty agency level transactions. This includes keeping accurate records of reinsurance payments and collections on defaulted loans at the loan and borrower level. All records must be available for verification by ED or other authorized representatives of the U.S. Government. The guaranty agency shall maintain current, complete, and accurate records for each loan that it holds. The records must be maintained in a system that allows ready identification of each loan's current status, including status date, updated at least once every 10 business days (34 C.F.R. § 682.414(a)).

Criteria: 34 C.F.R. § 682.414(a)

34 C.F.R. § 682.414(b)

Guidance: [Guaranty Agency Financial Report ED Form 2000 Instruction Guide](#)
[Financial Management System Guaranty Agency User Guide](#)

Required Procedures:

Note: The use of this data is the subject of several other compliance requirements in this Guide which identify the need to test specific items in these reports. For audit efficiency, the auditor may want to test the requirements in sections C.1.1 "Federal Fund and Agency Operating Fund;" C.2.2 "NSLDS Reporting;" C.3.1 Death, Disability, Closed Schools, False Certifications, Unpaid Refunds, Bankruptcy, Teacher Loan Forgiveness Claims;" and C.3.2 "Conditions of Reinsurance Coverage," at the same time as this compliance requirement.

- C.2.1.a Select a representative sample of Monthly Reports and Monthly/Quarterly Reports (which covers the period September 30) and trace loan information reported for claims, collections, and the portfolio of defaulted loans to the servicer's summary system records or ledgers.
- C.2.1.b Select a representative sample of Annual Reports and reconcile amounts reported for Federal receivables and reserves to the underlying support.
- C.2.1.c Reconcile key information reported on the ED Form 2000 with the agency's NSLDS Extract. [Note: there may be some differences between the ED Form 2000 and the NSLDS Extracts due to timing factors]
- C.2.1.d For a representative sample of all loans held
 - C.2.1.d.1 Compare dates transactions or information was posted to the servicer's system to the dates the source information was received.
 - C.2.1.d.2 Verify that the status date is not the date the claim was paid but the actual date of occurrence, i.e., date of death on NSLDS.
 - C.2.1.d.3 Identify whether any backlog exists that is over 10 days old.
 - C.2.1.d.4 Verify that there are no duplicate records for a given borrower.

C.2.2. NSLDS Reporting

Attestation Objective:

Determine whether the required controls and oversight regarding NSLDS access have been established and whether loan-level detail reported to NSLDS agrees with system information and supporting documentation.

Background:

Section 485B of HEA (20 USC 1092b) establishes the principles for administration of the NSLDS. The Secretary is required to ensure that the primary purpose of access to the system by guaranty agencies is for legitimate program operations and to take actions to maintain confidence in the NSLDS, including, at a minimum, developing standardized protocols for limiting access to the data system. As required by the [NSLDS Organization Access Process](#), each organization using the NSLDS is required to establish a Primary Destination Point Administrator, whose roles and responsibilities are to ensure that authorized personnel use the NSLDS only for official government business. The responsibilities of the Primary Destination Point Administrator include the following:

- a. Ensuring that all users are aware of their responsibilities regarding access to NSLDS.
- b. Monitoring the use and access of NSLDS data by all of the organization's users.
- c. De-activating a User ID when the person to whom it was assigned is no longer with the organization or otherwise is no longer eligible to have access to NSLDS.
- d. Ensuring that information in or received from the NSLDS is protected from access by or disclosure to unauthorized personnel.

Guaranty agencies are required to submit loan-level detail data to the NSLDS in accordance with 34 C.F.R. § 682.414(b). The [NSLDS Guaranty Agency Data Provider Instructions](#) describes the responsibilities for guaranty agencies to:

- Report all FFEL loans that were open or closed on or after October 1, 1989.
- Report updates to existing loans at least monthly.
- Extract and validate data to create a Submittal file
- Send the Submittal file to NSLDS on an established schedule.
- Review and correct errors in the Submittal file.
- Work with other data providers to resolve identifier conflicts.
- Reconcile loan data between NSLDS and its system of record, as required.

In determining which loans to test in the NSLSD reporting, particular attention should be given to loans which have not been reported as having converted to repayment (Loan Status Codes of IA-Loan Originated; ID-In School or Grace Period; IG-In Grace Period; IM-In Military Grace Period) and loans that are being reported as in in-school deferment (DA Deferment with Deferment Type Code FT-Full Time or HT-Half Time) without concurrent enrollment information from a school.

Criteria: 34 C.F.R. § 682.414(b)

Guidance: [NSLDS Guaranty Agency Data Provider Instructions](#)

DCL GEN-05-06/FP-05-04; April 8, 2005; subject: Access to and Use of NSLDS Information ([GEN-05-06](#))
NSLDS Organization Access Process; July 2009; ([NSLDS Access](#))

Required Procedures:

- C.2.2.a Review and evaluate the servicer's established and documented controls over access to the NSLDS
- C.2.2.b Verify that the servicer removes NSLDS access when an employee terminates or is reassigned to a position not requiring NSLDS access.
- C.2.2.c Select a representative sample of NSLDS Extracts of guaranty agencies and reconcile loan-level information reported to the underlying support.
- C.2.2.d Select a representative sample of loans that have not been reported as having converted to repayment and loans that are in an in-school deferment. Verify that the guaranty agency is receiving enrollment information from a participating institution through NSLDS.

C.3. LENDER CLAIMS AND REINSURANCE

This section covers compliance requirements the servicer may perform relating to reviewing death, disability, closed schools, false certification, bankruptcy, unpaid refunds, and teacher loan forgiveness claims, paying the lender on an approved claim, and/or filing requests for repayment of reinsurance on loans that met the requirements for reinsurance.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Lender Claims and Reinsurance attestation objective included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.3.1. Death, Disability, Closed Schools, False Certification, Bankruptcy, Unpaid Refunds, Teacher Loan Forgiveness Claims

Attestation Objective:

Determine whether death, disability, closed school, false certification, unpaid refund, bankruptcy, and teacher loan forgiveness claims were paid timely and in accordance with requirements and whether required specific actions were taken for bankruptcy proceedings.

Background:

When a lender is unable to collect on a loan, it files an insurance claim with the guaranty agency. Guaranty agencies are responsible for paying the following type of claims:

- **Death:** If an individual borrower dies, or the student for whom a parent received a PLUS loan dies, the obligation of the borrower and any endorser to make any further payments on the loan is discharged, in accordance with 34 C.F.R. § 682.402(b).
- **Total and Permanent Disability:** If a borrower becomes totally and permanently disabled, the borrower may file an application for discharge of the loan. If the Secretary approves the discharge application, the obligation of any further payments on the loan is discharged in accordance with 34 C.F.R. § 682.402(c).
- **Closed School:** If a borrower (or the student for whom a parent received a PLUS loan) could not complete the program of study for which the loan was intended because the school at which the borrower/student was enrolled, closed, or the borrower/student withdrew from the school not more than 120 days (or longer if justified by exceptional circumstances) prior to the date the school closed, ED reimburses the holder of a loan received by a borrower on or after January 1, 1986 and discharges the borrower's obligation with respect to the loan in accordance with the provisions of 34 C.F.R. § 682.402(d).
- **False Certification by a School:** If a borrower's eligibility (or the eligibility of a student for whom a parent received a PLUS loan) to receive a loan was falsely certified by an eligible school or as a result of a crime of identity theft, the

Secretary reimburses the holder of the loan and discharges the loan in accordance with 34 C.F.R. § 682.402(e).

- **Bankruptcy:** If a borrower files a petition for relief under the Bankruptcy Code, the Secretary reimburses the holder of the loan for unpaid principal and interest on the loan, in accordance with 34 C.F.R. § 682.402(f). Guaranty agencies are also required to take specific actions in bankruptcy proceedings in accordance with 34 C.F.R. § 682.402(i).
- **Unpaid Refunds:** The Secretary reimburses the holder of a loan for the amount of unpaid refunds under certain circumstances in accordance with 34 C.F.R. § 682.402(l) through (p).
- **Teacher Loan Forgiveness:** If, after being employed full-time as a teacher for 5 consecutive academic years in an eligible low-income school, a borrower applies for teacher loan forgiveness through the loan holder, the Secretary may forgive a portion of the outstanding loan in accordance with 34 C.F.R. § 682.216.

In accordance with 34 C.F.R. § 682.402(k), the guaranty agency shall not request payment from ED until the lender's claim has been paid. The guaranty agency shall review a death, disability, closed school, false certification, or bankruptcy claim promptly and shall pay the lender on an approved claim the amount of loss in accordance with 34 C.F.R. § 682.402(h), not later than –

- 45 days after the claim was filed by the lender for death, disability, and bankruptcy claims; and
- 90 days after the claim was filed by the lender for closed school or false certification claims.

Although requests for disability discharge now go directly to ED, guaranty agencies are still responsible for paying disability claims once notified by ED that the borrower qualifies for disability discharge through the Total and Permanent Disability Loan Holder Notification File.

The guaranty agency shall review an unpaid refund claim promptly and must pay the lender the amount of the loss not later than 45 days after a properly filed request is made, in accordance with 34 C.F.R. § 682.402(l) and (n). The guaranty agency must determine if a borrower meets the teacher loan forgiveness eligibility requirements within 45 days of receiving the loan holder's request and, if approved, pay the loan holder the amount of the loan forgiveness within the same 45-day period (34 C.F.R. § 682.216(f)).

Criteria: 34 C.F.R. § 682.402
34 C.F.R. § 682.216

Guidance: [Guaranty Agency Financial Report ED Form 2000 Instruction Guide Electronic Announcement dated July 23, 2014](#); subject: TPD Discharge Information - SAIG Service for Total and Permanent Disability Discharge Loan Holder Notification File Delivery Now Available for FFEL Program Guaranty Agencies

Required Procedures:

- C.3.1.a Select a representative sample of death, disability, closed school, false certification, unpaid refund, bankruptcy, and teacher loan forgiveness claims from the guaranty agency's ED Form 2000 reports:
- C.3.1.a.1. Review documentation that supports the eligibility of the claims for payment (or for disability claims, evidence of notification by ED that the borrower qualifies for disability discharge).
 - C.3.1.a.2. Review claims to determine whether claims were paid timely and prior to the servicer requesting payment from ED.
 - C.3.1.a.3. Verify that the guarantor calculated and reported the claim amount using the appropriate rate on the ED Form 2000.
 - C.3.1.a.4. For any bankruptcy claims, determine whether the servicer took appropriate actions in bankruptcy proceedings.

C.3.2. Conditions of Reinsurance Coverage*Attestation Objective:*

Determine whether loans for which reinsurance was paid met the requirements for reinsurance.

Background:

Once a guaranty agency pays a lender claim, ED reimburses the agency for part of its losses. A guaranty agency may make a claim payment from the Federal Fund and receive a reinsurance payment on a loan only if the requirements in 34 C.F.R. § 682.406 are met. A guaranty agency shall maintain records, including those provided by the lender, as described in 34 C.F.R.

§ 682.414. Key items in that documentation include:

- a. Evidence that the lender exercised due diligence in making, disbursing, and servicing the loan as prescribed by the rules of the guaranty agency (34 C.F.R. § 682.406(a)(1), including documentation of:
 - 1) Timely conversion to repayment;
 - 2) Collection and payment histories;
 - 3) Beginning and ending dates of borrower deferments/forbearances;
 - 4) Required skip-tracing activities; and
 - 5) No 45-day gaps (or 60 days in the case of a transfer) in collection activities (34 C.F.R. §§ 682.411 and 682.414)
- b. Evidence that the lender provided an accurate collection history and an accurate payment history with the default claim showing that the lender exercised due diligence in collecting the loan that met the requirements of 34 C.F.R. § 682.411 (34 C.F.R. § 682.406(a)(3)).
- c. Evidence that the loan was actually in default before the guaranty agency paid a default claim (34 C.F.R. § 682.406(a)(4)).

- d. Evidence that the lender filed a default claim with the guaranty agency within 90 days of default (34 C.F.R. § 682.406(a)(5)).
- e. Evidence that the lender satisfied all conditions of guarantee coverage set by the guaranty agency (34 C.F.R. § 682.406(a)(7)).
- f. Evidence that the guaranty agency paid or returned to the lender for additional documentation a default claim within 90 days of the date the lender filed the claim (34 C.F.R. § 682.406(a)(8)).
- g. Evidence that the guaranty agency submitted a request for payment to ED within 30 days of lender payment (34 C.F.R. § 682.406(a)(9)).
- h. Evidence that the loan was legally enforceable by the lender when the guaranty agency paid the claim on the loan to the lender (34 C.F.R. § 682.406(a)(10)).

The Consolidated Appropriations Act, 2016, Pub. L. 114-113, signed on December 18, 2015 changed the maximum reinsurance percentage for guaranty agencies in the FFEL program. The Act changed the ED to guaranty agency reimbursement to 100%. Beginning with the December 2015 ED Form 2000, guaranty agencies were able to request reinsurance at the higher rate for new default claims. Supplemental claim requests by lenders on previously paid default claims will be reimbursed at the rate in effect at the time reinsurance was paid and are not eligible for the 100% rate. The Secretary requires a guaranty agency to repay reinsurance payments received on a loan if the lender or the guaranty agency failed to meet the requirements mentioned above (34 C.F.R. §§ 682.406 and 682.414).

Criteria: 34 C.F.R. § 682.406
 34 C.F.R. § 682.411
 34 C.F.R. § 682.414

Guidance: [Guaranty Agency Financial Report ED Form 2000 Instruction Guide](#)

Required Procedures:

C.3.2.a Select a representative sample of defaulted loans from ED Form 2000 reports:

C.3.2.a.1. Ascertain if, prior to paying claims, the servicer determined that:

- (i) The lender exercised due diligence in making, disbursing, and servicing the loan;
- (ii) The lender provided an accurate collection and payment history showing that the lender exercised due diligence in collecting the loan;
- (iii) The loan was in default;
- (iv) The claim was timely filed;
- (v) The lender satisfied conditions of guaranty coverage set by the guaranty agency; and
- (vi) The loan was legally enforceable.

C.3.2.a.2. Ascertain that the servicer:

- (i) Filed a request for payment of reinsurance no later than 30 days following payment of a default claim to the lender;
- (ii) Paid the lender or returned the claim to the lender for additional documentation within 90 days of the date the lender submitted the claim;
and
- (iii) Calculated and reported the loan amount using the appropriate rate on the ED Form 2000.

C.4. DEFAULT AVERSION

This section covers compliance requirements the servicer may perform relating to requested default aversion activities for delinquent loans.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Default Aversion attestation objective included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.4.1. Default Aversion Assistance

Attestation Objective:

Determine whether the default aversion activities were performed in accordance with the requirements, whether loans on which the default aversion fee was received were qualified, and whether the fees were calculated accurately.

Background:

Upon receipt of a complete request from a lender, received no earlier than day 60 and no later than day 120 of delinquency, a guaranty agency shall engage in default aversion activities designed to prevent the default by a borrower. Default aversion activities are activities of a guaranty agency that are directly related to providing collection assistance to the lender on a delinquent loan prior to the loan being legally in a default status (34 C.F.R. §§ 682.404(a)(2)(ii) and 682.404(j)(1)).

In consideration of such efforts, the guaranty agency receives a default aversion fee. A guaranty agency may transfer a default aversion fee from its Federal Fund to its Operating Fund equal to one percent of the total unpaid principal and accrued interest owed on loans on which the lender requests default aversion assistance. However, if a loan on which the guaranty agency has received the default aversion fee is subsequently paid as a default claim, the guaranty agency must rebate funds to the Federal Fund by deducting the rebate funds from the default aversion fee calculation. The fees may be transferred from the Federal Fund to the Operating Fund no more frequently than monthly and may not be paid more than once on any loan (34 C.F.R. § 682.404(j)).

Some guaranty agencies entered into Voluntary Flexible Agreements with ED to pilot alternatives to the guaranty agency financing model or structure. The agreements were uniquely designed and may have allowed deviation from certain requirements (i.e. allowing more than one default aversion fee payment on a loan). Although the agreements have since been terminated, the old agreements should be consulted to determine whether the correct amount is returned/rebated when loans subject to the agreements default and a default claim is paid.

Criteria: 34 C.F.R. § 682.404(a)(2)(ii) and (j)

Required Procedures:

- C.4.1.a For a representative sample of loans, review documentation supporting that the loans qualified for and the servicer performed the default aversion activities.

- C.4.1.b For a representative sample of default aversion fee transfers:
 - C.4.1.b.1. Verify that the default aversion fee was calculated accurately.

 - C.4.1.b.2. Verify that default aversion fees were not paid more than once on the same loan (unless an approved Voluntary Flexible Agreement allowed for more than one payment).

- C.4.1.c For a sample of defaulted loans, verify that the appropriate default aversion fees are returned to the Federal Fund.

C.5. COLLECTIONS

This section covers compliance requirements the servicer may perform relating to collection activities on defaulted loans, including charging appropriate costs to borrowers for performing those collection activities and returning to ED an equitable share of the amount collected.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Collections attestation objectives included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.5.1. Collection Efforts

Attestation Objective:

Determine whether the required collection procedures on defaulted loans were performed and that the collection contractor did not perform collection activities within three years of the default claim payment on loans for which it performed default aversion assistance.

Background:

The guaranty agency must engage in certain collection activities within certain time frames as prescribed by 34 C.F.R. § 682.410(b)(6) on a loan for which it pays a default claim filed by a lender. These collection activities include written notices, Federal offsets, wage garnishments, and litigation.

If a guaranty agency contracts with an outside entity to perform default aversion assistance activities and collect defaulted loans, the entity that provides default aversion assistance on a loan may not perform collection activity on that loan in the event of default within three years of the date the default claim is paid (34 C.F.R. § 682.404(j)(4)).

Criteria: 34 C.F.R. § 682.410(b)(6)
34 C.F.R. § 682.404(j)(4)

Required Procedures:

- C.5.1.a If the servicer used a collection contractor, review the contract to ascertain if the contract specified the required collection procedures to be followed for defaulted loans.
- C.5.1.b For a representative sample of defaulted loan accounts, review documentation that supports that prescribed collection activities were followed.
- C.5.1.c Verify that the collection contractor did not perform collection activity within the three-year period on loans for which it performed default aversion assistance.

C.5.2. Charging Collection Costs

Attestation Objective:

To determine whether appropriate costs for default collection activities were charged to borrowers on defaulted loans acquired by payment of a default or bankruptcy claim.

Background:

The guaranty agency shall charge a borrower reasonable costs incurred by the agency for its collection activities for a loan on which the agency paid a default or bankruptcy claim. Collection costs may include, but are not limited to, all attorney's fees, collection agency charges, and court costs. The amount charged a borrower is discussed at 34 C.F.R. § 682.410(b)(2) and must equal the lesser of –

- a. The amount or rate, if any, specified in the borrower's note;
- b. The amount the same borrower would be charged for the cost of collection under the formula in 34 C.F.R. § 30.60; or
- c. The amount the same borrower would be charged for the cost of collection if the loan was held by ED.

There are instances when collection charges may not be assessed to the borrower at the rate or amount specified above:

- 1) Effective July 1, 2020, a guaranty agency may not charge collection costs to a borrower who, within 60 days of receiving notice of default, enters into an acceptable repayment agreement, including a loan rehabilitation agreement, and honors that agreement (34 CFR section 682.410(b)(2)(i)).
- 2) A guaranty agency may charge collection costs in an amount not to exceed 18.5 percent of the outstanding principal and interest on a defaulted FFEL loan that is paid off by a Federal Consolidation Loan. The guaranty agency must remit to the Secretary a portion of the collection charge equal to the lesser of the amount charged the borrower or 8.5 percent of the outstanding principal and interest of the loan. A guaranty agency must remit to the Secretary the entire amount of the collection charge with respect to each defaulted loan that is paid off with excess consolidation proceeds (34 C.F.R. § 682.401(b)(18)).
- 3) Borrowers who make the required nine voluntary and on-time payments within 10 months and whose loans are then rehabilitated by sale to an eligible lender may not be charged more than 16 percent of the unpaid principal and accrued interest on the loans being rehabilitated (34 C.F.R. § 682.405(b)(1)(vi)(B)).

Criteria: 34 C.F.R. § 30.60
34 C.F.R. § 682.401(b)(18)
34 C.F.R. § 682.405(b)(1)(vi)(B)
34 C.F.R. § 682.410(b)(2)

Required Procedures:

C.5.2.a Select a representative sample of defaulted loan accounts:

- C.5.2.a.1. Determine that as of July 1, 2020, the servicer did not charge a borrower who entered into an acceptable repayment agreement within 60 days of receiving notice of default, and honors that agreement.
- C.5.2.a.2. Determine whether the servicer charged only for reasonable costs of collection.
- C.5.2.a.3. Ascertain if the amount charged was limited to the amount prescribed by regulation.

C.5.3. Returning Federal Share of Borrower Repayments*Attestation Objective:*

Determine whether the Secretary's equitable share of borrower payments on defaulted loans is properly computed and deposited into the Federal Fund in a timely manner.

Background:

Once a default claim is paid to a lender, the guaranty agency becomes the holder of the loan and must seek to collect on the loan from the borrower. Since ED reimburses a guaranty agency on defaults, the guaranty agency must return to ED an equitable share of the amount it collects from the borrower. The Secretary's equitable share is the portion of payments that remains after deducting:

- a. the complement of the reinsurance percentage in effect when reinsurance was paid on the loan (if ED reimbursed the guaranty agency at 98, 95, 90, 88, 85, 80, 78, or 75 percent of the default claim paid to the lender, then the agency's complement on collections from borrowers would be 2, 5, 10, 12, 15, 20, 22 or 25 percent) and
- b. 16 percent of the borrower payments received (34 C.F.R. § 682.404(g)(1)(ii)).

A guaranty agency may not retain the equitable share on loans that have been repaid by a Federal Consolidation Loan because these transactions do not include "payments made by the borrower." For these defaulted loans, which are repaid by a consolidation loan, under separate authority, agencies are allowed to retain only the amount of collection costs charged to the borrower and paid off by the consolidation loan. The amount that may be retained is as follows—

The guaranty agency can charge up to 18.5 percent of the outstanding principal and interest on the defaulted loan; however, the Secretary is entitled to the lesser of actual collection costs charged or 8.5 percent of principal and interest outstanding on the defaulted loan, except that the guaranty agency may not retain any portion of the collection costs paid by a consolidation loan that exceed 45 percent of the agency's total collections on defaulted loans that fiscal year (34 C.F.R. §§ 682.401(b)(18) and 685.220(f)).

A guaranty agency or its servicer is required to deposit into its Federal Fund all funds received (not net proceeds) on loans on which a claim has been paid, including default collections, within 48 hours (2 business days) of receipt of those funds, minus any portion that the agency is authorized to deposit into the Operating Fund (34 C.F.R. § 682.419(b)(6)). “Receipt of Funds” means actual receipt of funds by the guaranty agency or its agent, whichever is earlier. Guaranty agencies can comply with the 48-hour requirement using one of two approaches; depositing all collections into the Federal Fund with a blanket approval to move its share to the Agency Operating Fund or depositing collections into a separate agency-controlled escrow account and moving funds to the Federal Fund and Agency Operating Funds on a monthly basis.

Criteria: 34 C.F.R. § 682.401(b)(18)
34 C.F.R. § 682.404(g)
34 C.F.R. § 682.419(b)(6)
34 C.F.R. § 685.220(f)

Guidance: [DCL 00-G-328](#); Subject: Regulatory and Operational Guidance to All Guaranty Agencies Concerning the Federal Share of Collections.

Required Procedures:

C.5.3.a Test a sample of borrower payments on defaulted loans at the loan level to ascertain if the equitable share due ED was properly computed and deposited into the Federal Fund in a timely manner.

C.6. ASSIGNING LOANS

This section covers compliance requirements the servicer may perform relating to assigning defaulted loans to ED.

Required Management Assertion

[Servicer] complied with all criteria effective during the attestation period, as appropriate, for the Assigning Loans attestation objective included in Chapter 3, Section C of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program* as applicable to our clients.

C.6.1. Assigning Defaulted Loans to ED

Attestation Objective:

Determine whether the guaranty agency assigned to ED all loans that meet the applicable criteria.

Background:

Unless the Secretary notifies a guaranty agency in writing that other loans must be assigned to the Secretary, a guaranty agency must assign any loan that meets all of the following criteria as of April 15 of each year:

- a. the unpaid principal balance is at least \$100;
- b. the loan, and any other loans held by the guaranty agency for that borrower, have been held by the agency for at least five years;
- c. a payment has not been received on the loan in the last year; and
- d. a judgment has not been entered on the loan against the borrower.

The Secretary may also direct a guaranty agency to assign to ED certain categories of defaulted loans held by the guaranty agency as described in 34 C.F.R. § 682.409. In determining whether mandatory assignment from a guaranty agency is required, the Secretary will review the adequacy of collection efforts. ED considers the guaranty agency's record of success in collecting its defaulted loans, the age of the loans, and the amount of any recent payments on the loans (34 C.F.R. § 682.409).

Criteria: 34 C.F.R. § 682.409

Required Procedures:

C.6.1.a Review the servicer’s aging of loans for any loans with unpaid principle balance that meet the five year age requirement and for which there is no payment in the last year and no judgement has been entered, to ascertain if the servicer is holding loans that should be assigned to ED.

C.6.1.b Determine whether the servicer is complying with any directive from the Secretary to assign to ED certain other categories of defaulted loans.

D. COMPLIANCE ENGAGEMENT REPORT CONTENTS

The compliance attestation engagement reporting package consists of the below components. The format and content of these components are illustrated in the examples provided in Chapter 3, Section D.7. Financial Statement Reporting is discussed in Chapter 2, Section E.

D.1. TITLE PAGE

The title page is the cover page of the report. It should clearly identify the name and location of the servicer, the attestation period, and the name of the audit firm, and should identify that the engagement was a compliance attestation engagement.

D.2. REPORT ON COMPLIANCE FOR THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

This is your report on the servicer's compliance with the specified requirements. You must report findings of noncompliance, significant deficiencies, and material weaknesses. This report should be on formal letterhead representing the independent auditor(s) firm.

D.3. GUARANTY AGENCY SERVICER INFORMATION SHEET

The Guaranty Agency Servicer Information Sheet provides information about the auditor and the servicer and also includes matrices to identify the servicer's guaranty agency clients and the compliance functions performed for each client.

D.4. SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The Schedule of Findings and Questioned Costs identifies all your findings of noncompliance, significant deficiencies, and material weaknesses. You can use your judgment in determining the format of this schedule, but at a minimum each finding in the financial statement audit and the compliance attestation engagement should include the information in GAGAS sections on Presenting Findings in the Report (GAS 6.50-.51 or GAS 7.48-.49) and Obtaining and Reporting the Views of Responsible Officials (GAS 6.57-.60 or GAS .7.55-.58).

For each finding of noncompliance, GAS 6.17 and 7.19 explain that you should plan and perform procedures to develop the criteria, condition, cause, and effect of the finding to the extent that these elements are relevant and necessary to achieve the engagement objectives. In addition, GAS 6.50 and 7.48 explain that when presenting findings, you should develop the elements of the findings to the extent necessary to assist management or oversight officials of the audited entity in understanding the need for taking corrective action.

This Guide requires that you also make recommendations for corrective action to the servicer, unless corrective action is not necessary. In such cases, you should provide the reason(s) why corrective action was not necessary.

If the noncompliance causes any expenditure of Federal funds or loan guarantees to be questionable, you should identify the dollars involved as questioned costs, and include a recommendation either that (1) an appropriate refund or other appropriate adjustment be made, or (2) that the servicer confer with ED officials about whether such refunds or adjustments are required.

Findings should be placed in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the finding, in accordance with GAS 6.51 and 7.49. With this information, ED management can put proper perspective on the finding for resolution. For each finding, you should include the following information to place the finding in perspective:

- The number of units and monetary value of the universe and sample size of the attribute(s) tested that relate to the finding. If the sample was expanded to evaluate the projected error rate statistically, the report should also include information about the sampling methodology, confidence level, precision, expected rate of occurrence, and estimated disallowance to the population, including the point estimate and lower and upper limits (Chapter 3, Sections B.7 through B.9).
- Information about the sampling methodology and identifying information for the guaranty agencies that compromise the universe from which the sample was selected.
- The number of units affected by the noncompliance and the associated monetary value, including identification of each guaranty agency for which transactions are affected and the summarized effect for each guaranty agency's transactions.
- Your definition of material noncompliance for the type of compliance requirement under which the instances of noncompliance were found, as discussed in Chapter 3, Section B.6.

In accordance with GAS 6.57 and 7.55, you should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. In your Schedule of Findings and Questioned Costs, you should include or describe the auditee's comments (concurrence or non-concurrence with the finding), and describe your consideration of the auditee's comments, if the auditee does not concur with the finding. The servicer must develop and submit a *separate* Corrective Action Plan (Chapter 3, Section D.7-6.) for each finding and recommendation in one document and this Corrective Action Plan must be included when submitting the report package.

Each finding in the schedule should be numbered so that the findings may be referenced easily during audit resolution and follow-up. The first digits of the finding number are the fiscal year being audited, and a hyphen is used to separate these digits from a number indicating the sequence of the finding. For example, the reference numbers for the third, fourth, and fifth findings for fiscal year 201X would be 201X-003, 201X-004, and 201X-005.

If there were no findings, you should state that in your schedule of findings and questioned costs.

D.5. AUDITOR’S COMMENTS ON THE RESOLUTION OF PRIOR FINDINGS

A schedule of the Auditor’s Comments on the Resolution of Prior Findings should be included as part of every compliance attestation engagement report. You should include comments on all findings of noncompliance with requirements contained in this Guide, or internal control over compliance in audits, attestation engagements, reviews, or reports that were issued in the prior fiscal year or during or after the audit/attestation period but before the date of your report.

From the records of the servicer, you should review each finding contained in each report and all correspondence between the servicer and the report issuer, including any final determinations, that is related to the resolution of the finding(s). You should determine whether each prior finding has been resolved. If a prior finding is unresolved, you should assess that finding’s impact on the current engagement.

Your comments should identify all prior findings, the status of their resolution, and the actions necessary for the servicer to resolve any unresolved findings. To do this, you may find it necessary to test the status of prior findings. For example, to evaluate revised processes or controls established to address a prior finding, you may need to observe an activity that was redesigned to address a prior finding, or may need to test transactions, similar to those in the prior finding, that occurred during the period covered by the audit/attestation.

In the comments, refer to the finding using the number that was assigned in the prior audit/compliance attestation engagement report or program review. If the findings in the prior audit/compliance attestation engagement report or program review were not numbered, identify prior findings in an appropriate manner (e.g., page number, caption, etc.).

The comments should clearly state if –

- There were no prior findings in the immediate prior audit/compliance attestation engagement report issued in accordance with this Guide (or the preceding Guide) and other pertinent audits/attestation engagements or reviews, or
- There were no immediate prior audits/compliance attestation engagements per this Guide (or the preceding Guide), or prior audits/attestation engagements or reviews issued during or after the audit/attestation period but before the date of your current report.

D.6. CORRECTIVE ACTION PLAN

The servicer must prepare, and submit with the report package, a corrective action plan to address each finding included in the Schedule of Findings and Questioned Costs.

The corrective action plan should be submitted on the servicer’s letterhead. It should identify each finding, using the number the auditor assigned to it in the audit report, and should be signed by the servicer’s official (signing official) who was responsible for its preparation. That official should also provide his or her title, telephone number, and e-mail address. The corrective action plan should include the servicer’s comments on findings and recommendations and actions taken or planned, as discussed below and illustrated in D.7-6.

- **Comments on Findings and Recommendations.** The signing official should provide a statement of concurrence or non-concurrence with the findings and recommendations. If the signing official does not agree with a finding, he or she must explain why, and provide specific reasons.
- **Actions Taken or Planned.** The signing official should describe the actions the servicer has taken, or plans to take, to correct the deficiencies identified in the compliance engagement report. For a planned action, the corrective action plan should include an anticipated completion date. If the signing official does not believe a corrective action is required, he or she must state so and include an explanation.

Report packages containing findings that are submitted without a corrective action plan are incomplete and will not be accepted. Entities will be subject to administrative sanctions if an acceptable report package is not submitted.

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

This section contains examples and provides further guidance on the contents of the reports, schedules, and forms that comprise the compliance attestation engagement reporting package. The AICPA Audit Guide, *Government Auditing Standards and Single Audits* contains other illustrative reports (e.g., an adverse opinion on compliance in a single audit) that may be referred to as guidance when auditors need to develop reports for reporting under the Guide that are not addressed in the examples provided herein.

Example Number	Title
D.7-1.	Title Page – Compliance Attestation Engagement Report
D.7-2a.	Report on Compliance for the Federal Family Education Loan Program Required by the <i>Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program</i> (Unmodified Opinion on Compliance, No Reportable Findings)
D.7-2b.	Report on Compliance for the Federal Family Education Loan Program Required by the <i>Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program</i> (Unmodified Opinion on Compliance, Reportable Findings)
D.7-2c.	Report on Compliance for the Federal Family Education Loan Program Required by the <i>Guide for Financial Statement Audits and Compliance Attestation Engagements of Guaranty Agency Servicers Administering the Federal Family Education Loan Program</i> (Qualified Opinion on Compliance, Reportable Findings)
D.7-3.	Guaranty Agency Servicer Information Sheet
D.7-4.	Schedule of Findings and Questioned Costs
D.7-5.	Auditor’s Comments on Resolution of Prior Findings
D.7-6.	Corrective Action Plan

D.7-1 Title Page – Compliance Attestation Engagement Report

SERVICER NAME
CITY, STATE

COMPLIANCE ATTESTATION ENGAGEMENT
OF THE FEDERAL FAMILY EDUCATION LOAN PROGRAM

FOR THE FISCAL YEAR ENDED [MONTH DAY, YEAR]

XYZ & Co.
Certified Public Accountants

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)²⁶Independent Accountant's Report

[Appropriate Addressee]

We have examined management of [Servicer's] assertions that [Servicer] 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].²⁷ [Servicer's] management is responsible for its assertions. Our responsibility is to express an opinion on [Servicer'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 [Servicer] complied with the compliance requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about compliance. 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, [Servicer] complied with the compliance requirements referred to above for the year ended [Date],²⁸ in all material respects.

[Practitioner's signature]

[Practitioner's City and State]

[Date of practitioner's report]

²⁶ Examples D.7-2a through D.7-2c are intended to provide illustrations for various situations. Auditors, using professional judgment, may adapt these examples to other situations not specifically addressed within the illustrations.

²⁷ Only those compliance requirements which are applicable to the servicer, and therefore audited as part of the compliance attestation engagement, should be listed in this paragraph.

²⁸ The opinion should be modified, as appropriate, depending on the specific circumstances of the audit.

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)²⁹Independent Accountant's Report

[Appropriate Addressee]

We have examined management of [Servicer's] assertions that [Servicer] 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].³⁰ [Servicer's] management is responsible for its assertions. Our responsibility is to express an opinion on [Servicer'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 [Servicer] complied with the compliance requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about compliance. 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, [Servicer] complied with the compliance requirements referred to above for the year ended [Date],³¹ 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 and any 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 [Servicer] 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

²⁹ See Footnote 26

³⁰ See Footnote 27

³¹ See Footnote 28

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.³²

[Practitioner's signature]

[Practitioner's City and State]

[Date of practitioner's report]

³² See Chapter 3, Section D.4 and D.7-4.

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)³³Independent Accountant's Report

[Appropriate Addressee]

We have examined management of [Servicer's] assertions that [Servicer] 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].³⁴ [Servicer's] management is responsible for its assertions. Our responsibility is to express an opinion on [Servicer'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 [Servicer] complied with the compliance requirements referred to above, in all material respects. An examination involves performing procedures to obtain evidence about compliance. 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.

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 material noncompliance described in the preceding paragraph, [Servicer] complied with the compliance requirements referred to above for the year ended [Date],³⁵ 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 and any 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

³³ See Footnote 26

³⁴ See Footnote 27

³⁵ See Footnote 28

performed our examination to express an opinion on whether [Servicer] 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.³⁶

[Practitioner's signature]

[Practitioner's City and State]

[Date of practitioner's report]

³⁶ See Chapter 3, Section D.4 and D.7-4.

D.7-3a Guaranty Agency Servicer Information Sheet

GUARANTY AGENCY SERVICER INFORMATION SHEET

**[NAME OF SERVICER]
 [CITY, STATE]
 [PERIOD AUDITED]**

Servicer Information:

Entity ID Number: _____
 Auditee Contact: _____
 Auditee Email: _____
 Auditee Phone: (____) ____ - _____

Auditor Information:

Audit Firm: _____
 Firm Address: _____
 Firm City, State: _____
 Primary Auditor: _____
 Primary Email: _____
 Primary Phone: (____) ____ - _____

LISTING OF GUARANTY AGENCY CLIENTS

ID Number	Name of Guaranty Agency	City	State
123456	Example State Guaranty Agency	Anywhere	XX

D.7-3b Guaranty Agency Servicer Information Sheet (Continued)

IDENTIFICATION OF SERVICES PROVIDED

Please complete the following matrix by identifying the guaranty agencies (by providing their ID numbers) and the FFEL Program compliance functions performed by the servicer during the period covered by the attestation engagement (by placing 'X's' in the appropriate columns for each guaranty agency client the compliance function is performed).

ID Number	Federal & Operating Funds	Reporting	Lender Claims & Reinsurance	Default Aversion	Collections	Assigning Loans

D.7-4 Schedule of Findings and Questioned Costs

You should refer to Chapter 3, Section D.4 regarding the content of the findings and the information necessary to place the findings in perspective, including information on the universe(s) and sample(s), the noncompliance identified, and the definition of material noncompliance for the applicable compliance requirement.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Finding 201X-001

Criteria:

Condition:

Cause:

Effect or Potential Effect:

Questioned Costs (if applicable):

Recommendation:

Management's Response:

D.7-5 Auditor’s Comments on the Resolution of Prior Findings

You should refer to Chapter 3, Section D.5 regarding the content of this schedule.

AUDITOR’S COMMENTS ON RESOLUTION OF PRIOR FINDINGS

Action taken on prior audit/attestation findings in prior audit/attestation engagement report, Audit Control Number # xx-xxxx-xxxxx titled [Title of report] are:

Finding 201X-001: Include a summary of the finding and recommendation.

Status Identify the status of the finding resolution. If not fully resolved, identify the actions necessary for the servicer to resolve the finding.

D.7-6 Corrective Action Plan

You should refer to Chapter 3, Section D.6 regarding the content of this schedule.

CORRECTIVE ACTION PLAN

[On servicer’s letterhead]

Finding 201X-001: Include a summary of the finding and recommendation.

Comments on Finding and Recommendation(s): Provide a statement of concurrence or non-concurrence with an explanation and specific reason.

Actions Taken or Planned: Describe actions taken or planned with anticipated completion date.

Signature of Servicer Official

Title and Date

Telephone:

Email: