

HOW THE PROPOSED FSA AUDIT GUIDE WILL AFFECT YOUR SCHOOL

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TODAY'S DISCUSSION

- ⦿ Required confirmations on student sample
- ⦿ Student file testing increase
- ⦿ Expanded 90/10 footnote disclosure
- ⦿ Department of Education requires that the auditor has to include in their findings any comments on any findings from any outside agency
- ⦿ Site visits are more frequent

REQUIRED CONFIRMATIONS FOR COMPLIANCE AUDITS

- ⦿ The new draft Audit Guide vs. the current Audit Guide
- ⦿ What is the purpose for using confirmations
- ⦿ What does historically poor response rate mean

THE CONFIRMATION PROCESS

- ⦿ How are confirmations to be sent out
- ⦿ How many confirmations must be sent and collected
- ⦿ The Thirty Percent Rule
- ⦿ Non Replies
- ⦿ Timing of confirmations
- ⦿ Cost benefit issues

INFORMATION REQUIRED IN CONFIRMATION

- ⦿ Dates of attendance
- ⦿ Types of federal aid received
- ⦿ Consumer information
- ⦿ What happens when there are errors by students when completing the confirmations
- ⦿ True or False: If a student needs help completing a confirmation, the school can provide assistance

SAMPLE METHODOLOGY: SIGNIFICANT CHANGES

Population must still be segregated into two universes:

1. Students who were enrolled, graduated, or on an approved leave of absence
2. Students who withdrew, dropped, or were terminated

- ◎ Under the CURRENT audit guide you would calculate the “Withdrawal Benchmark”
- ◎ This benchmark was significant in determining the sample size.

IF LESS THAN 33% THE MINIMUM SAMPLE SIZE FOR:

1. Enrolled, graduated or on approved LOA was 50 students or 25% if the population was less than 200 and
2. Withdrew, dropped, or were terminated was 25 students or 10% if the population was less than 200

If greater than 33% the minimum sample calculation was reversed.

- Under the “DRAFT” audit guide the calculation of the “Withdrawal Benchmark” has been eliminated
- The sample size calculation is the SAME for each universe regardless of the withdrawal rate

THE NEW CALCULATION IS AS FOLLOWS:

For universe of less than 200:

- ⦿ Select 25% of the universe with a minimum of 25 student files
- ⦿ Or the total universe whichever is less

For universe of 200 or more:

- ⦿ Select a minimum of 50 student files

HOW DOES THIS AFFECT YOUR INSTITUTION?

There will be more student files which need to be tested.

Let's look at a couple of examples:

ASSUMPTION: WITHDRAWAL RATE IS <33%

**NOTE: ENROLLED, GRADUATED OR LOA (“ACTIVE”)
WITHDRAWN, DROPPED OR TERMINATED (“DROP”)**

EXAMPLE #1

	January 2000 Audit Guide	October 2010 Draft Audit Guide
Total Population	2,783	2,783
ACTIVE	2,456	2,456
DROP	327	327
Sample Required		
ACTIVE	50 (200 or more=50)	50 (200 or more=50)
DROP	25 (200 or more=25)	50 (200 or more=50)

EXAMPLE #2

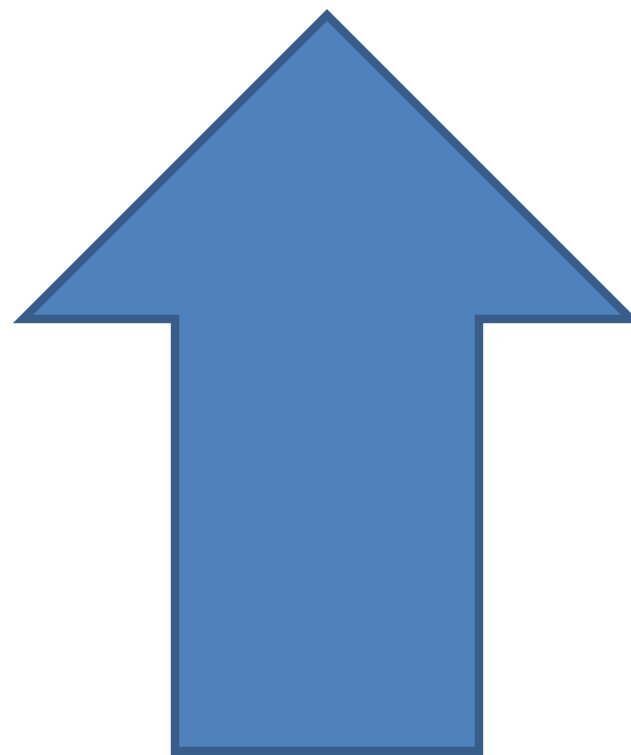
	January 2000 Audit Guide	October 2010 Draft Audit Guide
Total Population	323	323
ACTIVE	302	302
DROP	21	21
Sample Required		
ACTIVE	50 (200 or more=50)	50 (200 or more=50)
DROP	3 ($21 \cdot .10 = 2.1$)	21 (lesser of 25 students or the universe)

EXAMPLE #3

	January 2000 Audit Guide	October 2010 Draft Audit Guide
Total Population	254	254
ACTIVE	175	175
DROP	79	79
Sample Required		
ACTIVE	44 ($175 \cdot .25 = 43.75$)	44 ($175 \cdot .25 = 43.75$, so 44)
DROP	8 ($79 \cdot .10 = 7.9$)	25 ($79 \cdot .25 = 19.75$, so 25)

**AS YOU CAN SEE, THERE WILL BE A
SIGNIFICANT INCREASE IN THE
NUMBER OF STUDENT FILES
TESTED.**

**33% is the
average
increase**



EXPANDED 90/10 FOOTNOTE DISCLOSURE

- ⦿ Net detailed disclosure required after 7/1/2010
- ⦿ New detail information
- ⦿ Department can check your calculations

PROPOSED GUIDE ADDS ANOTHER LEVEL

- ⦿ The auditor CANNOT perform the calculation
- ⦿ BUT perform independent calculation and compare
- ⦿ Hire an outside party to prepare if necessary
- ⦿ Compliance Finding
 - If Institution cannot prepare 90/10
 - Or incorrect. Materially Incorrect?

PRIOR AUDIT FINDINGS INCLUDE FINDINGS FROM:

- ⦿ Prior year compliance audit
- ⦿ ED OIG Audits
- ⦿ ED SFA program reviews
- ⦿ Guaranty agency reviews
- ⦿ Licensing agency reports
- ⦿ Accreditation reviews - NEW
- ⦿ Other

EXPANDED REQUIREMENTS REGARDING THE COMMENTS ON PRIOR AUDIT FINDINGS:

- ⦿ Identify resolved and unresolved findings
- ⦿ Identify actions to be taken to resolve unresolved findings
- ⦿ Identify findings which have been resolved and state why it has been resolved

WHAT IS THE OVERALL EFFECT?

There will be potentially more time spent by the auditor in:

- ⦿ Identifying the findings
- ⦿ Commenting in the prior audit report section of the compliance audit

SITE VISITS

◎ Initial year

- All sites where instruction must be visited by the Auditor.

◎ Subsequent years

- All location where material Title IV
- Administrative functions are performed
- Every other year where only instruction is performed. (Similar)

SITE VISITS

- ⦿ May need to visit sites to perform ONSITE SFA testing to some locations every year
- ⦿ Online Institutions only visiting Administrative Office every year

AUDITING STANDARDS

- ⦿ Yellow Book Changes Effecting your school
- ⦿ Why these changes effect my audit?
- ⦿ New independent tests
- ⦿ New types of procedures and reporting requirements

QUESTIONS?



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