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DEPARTMENT OF EDUCATION

Student Assistance General Provisions

AGENCY: Department of Education.

ACTION: Notice implementing a new electronic process (eZ-Audit) for submitting compliance and financial statement audits.

SUMMARY: The Secretary gives notice that on June 16, 2003, the Department will fully implement the eZ-Audit process under which an institution that participates, or seeks to participate, in the Federal student aid programs submits its compliance and financial statement audit information electronically. The Federal student aid programs are authorized under Title IV of the Higher Education Act of 1965, as amended (Title IV, HEA Programs). This notice applies to any compliance or financial statement audits that an institution is required to submit under 34 CFR 600.20(a) or (b) to begin or continue participating in the Title IV, HEA Programs, any financial statement audits required for an institution that undergoes a change in ownership resulting in a change in control as provided under 34 CFR 600.20(g), any compliance and financial statement audits that an institution is required to submit annually under 34 CFR 668.23, and any compliance and financial statement audits required of an institution that ceases to participate in the Title IV, HEA Programs as provided under 34 CFR 668.26(b).

Effective immediately, institutions may voluntarily begin using eZ-Audit to submit any required audits. Beginning on June 16, 2003, all institutions are required to use eZ-Audit for submitting electronically any required audit that is due on or after that date. However, if an institution is unable to use eZ-Audit to submit its first audit that is due on or after June 16, 2003, it should contact the person identified below to make alternative arrangements for submitting that audit.

FOR FURTHER INFORMATION CONTACT: Ti Baker, Management and Program Analyst, Schools Channel, Federal Student Aid, U.S. Department of Education, Union Center Plaza, 074G2, 830 First Street, Washington, DC 20202. Telephone: (202) 377-3156, Fax: (202) 275-5726, or via Internet: fsaezaudit@ed.gov.

If you use a telecommunications device for the deaf (TDD), you may call

the Federal Information Relay Service (FIRS) at 1-800-877-8339.

Individuals with disabilities may obtain this document in an alternative format (e.g., Braille, large print, audiotape, or computer diskette) on request to the program contact person listed under **FOR FURTHER INFORMATION CONTACT**.

SUPPLEMENTARY INFORMATION: eZ-Audit is a web-based process designed to facilitate the submission of compliance and financial statement audits, expedite the review of those audits by the Department, and provide more timely and useful information to institutions regarding the Department's review. This notice deals only with the procedures for submitting audits under the eZ-Audit process. More detailed information about other aspects of the eZ-Audit process is available under the Electronic Announcements section at <http://www.IFAP.ed.gov>.

Proprietary institutions are required to submit audits directly to the Department regardless of the reason those audits are required. Currently, all non-profit and public institutions are required to conduct and submit annual compliance and financial statement audits in accordance with Office of Management and Budget (OMB) Circular A-133. Under OMB Circular A-133, these institutions submit their annual audits to the Federal Audit Clearinghouse (Clearinghouse) that in turn provides copies to the Department and other Federal agencies. For any other audits that a non-profit or public institution is required to conduct under the Title IV, HEA Program regulations, those audits are submitted directly to the Department.

OMB Circular A-133 also provides that in response to a request from a Federal agency, non-profit and public institutions must submit their annual audits directly to that agency. Accordingly, the Department hereby requests non-profit and public institutions to submit copies of their OMB Circular A-133 annual audits directly to us through eZ-Audit. The Department makes this request to maximize the utility of eZ-Audit by establishing a uniform process under which all institutions submit any audit required under the Title IV, HEA Program regulations. We note that non-profit and public institutions whose annual audits are conducted in accordance with OMB Circular A-133 must continue to submit those audits to the Clearinghouse.

The Department will carefully monitor the utility of the eZ-Audit approach in identifying fraud and

reducing error in Federal student aid programs and improving the validity and reliability of the data reported. The Department will also ensure that it minimizes the burden associated with submitting audits under this approach.

After completing the first cycle of audits under this approach, the Department will implement any reforms necessary to enhance the utility of the data it receives and reduce burden on institutions. Moreover, the Department will consider modifying the eZ-Audit process in view of any significant changes the Clearinghouse may make in accepting electronic audit submissions and in response to the continuing efforts by the accounting community to standardize the format and presentation of electronic audit data.

eZ-Audit Process

An authorized person at an institution submits required audits on behalf of the institution by (1) accessing the appropriate page on the eZ-Audit website using identity credentials issued to the institution by the Department, (2) entering general information about the institution's compliance audit, (3) entering general information and specific financial data from the institution's audited financial statements, and (4) attaching authentic copies of the signed audits.

Identity Credentials

An institution obtains credentials for accessing the eZ-Audit system by completing and signing registration materials described under the Electronic Announcements section at <http://www.IFAP.ed.gov>, and submitting them to: The U.S. Department of Education, Federal Student Aid, Attention: Ti Baker, 830 First Street, NE., Washington, DC 20202.

After receiving the registration materials, the Department will send electronically identity credentials (initially a username and password) to the institution. Although we expect to be able to issue identity credentials within a few days after receiving a request, an institution should submit its registration materials as soon as possible to ensure that it can use the eZ-Audit system to submit required audits on and after June 2, 2003.

Entering Information About the Audits

An institution enters general and specific information about its compliance audits and financial statements on the appropriate eZ-Audit web pages. General information is used to determine whether the audits are materially complete and conducted in accordance with applicable standards.