July 2, 2024

Note: We updated this Dear CPA Letter on July 8, 2024, to correct a date in the due date example provided in Enclosures 1 and 3.

Ref: CPA-24-01 – Revised Audit Submission Due Dates and Related Party Footnote Requirements for Proprietary and Foreign Schools

Dear Certified Public Accountant:

This letter amends the March 2023 Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs (Title IV Audit Guide) and the March 2020 Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools (Foreign School Audit Guide) to address recent regulatory changes to the audit submission due dates and related party footnote requirements for proprietary schools and foreign schools by:

- Replacing Chapter 1, Section A.5 of the Title IV Audit Guide to revise the report due dates for proprietary schools. (Enclosure 1)
- Replacing Chapter 2, Section B.1 of the Title IV Audit Guide to revise the related party footnote requirements and related audit objective and required procedures applicable to proprietary school financial statement audits. (Enclosure 2)
- Replacing Chapter 1, Section A.5 of the Foreign School Audit Guide to revise the report due dates and submission requirements for foreign schools. (Enclosure 3)
- Replacing Chapter 2, Section E.1 of the Foreign School Audit Guide to revise the related party footnote requirements and related audit objectives and required procedures applicable to foreign school financial statement audits. (Enclosure 4)

The amendments are effective for all proprietary school or foreign school financial statement audits and compliance attestation engagements submitted to the U.S. Department of Education (Department) on or after July 1, 2024, irrespective of when the fiscal year begins or ends.

Audit Submission Due Date and Related Party Footnote Changes

On October 31, 2022, the U.S. Department of Education published a final rule in the Federal Register (88 FR 74568) amending the regulations related to financial responsibility, administrative capability, certification procedures, and Ability to Benefit pertaining to Title IV programs. These regulations are effective July 1, 2024.
The regulations at 34 C.F.R. § 668.23(a)(4) were amended to revise the submission deadline for proprietary and foreign schools to the earlier of 30 calendar days after the date of the auditor’s reports or six months after the last day of the school’s fiscal year to more closely reflect the audit submission requirement for public and nonprofit schools submitting audits under the Single Audit Act. The submission deadline for third-party servicers was not changed.

The related party footnote requirements at 34 C.F.R. § 668.23(d)(1) were amended to clarify that the items previously listed as possible to include when disclosing related party transactions now must be included in the related party footnote disclosure. The amendment also now requires management to add a note to the financial statements disclosing if there are no related party transactions for the year.

Contact for Questions

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

Respectfully,

/s/

Sean Dawson
Assistant Inspector General for Audit

Enclosures

...
Replace Chapter 1, Section A.5 of the Guide for Financial Statement Audits of Proprietary Schools and For Compliance Attestation Examination Engagements of Proprietary Schools and Third-Party Servicers Administering Title IV Programs

A.5. REPORT DUE DATES AND SUBMISSION

School financial statement audit reports and compliance examination engagement reports are due by the date that is the earlier of:

1. thirty days after the date of the auditor’s report for the compliance examination engagement or the date of the auditor’s report for the audited financial statements, whichever is later, or
2. six months after the last day of the school’s fiscal year.

For example, a school has a fiscal year end of 12/31/2024 and the dates of the auditor’s report for the financial statement audit and for the compliance examination engagement are 3/22/2025 and 4/15/2025, respectively. Since thirty days after 4/15/2025 (5/15/2025) is earlier that six months after the last day of the school’s fiscal year (6/30/2025), the school’s report is due by 5/15/2025.

Servicer compliance examination engagement reports are due no later than six months after the last day of the servicer’s fiscal year.

School and servicer reports are submitted to ED through the eZ-Audit system. The eZ-Audit system is a web-based paperless single point of submission for audited financial statements and compliance examination engagements. The school and servicer enter summary audit and financial data from its financial statement audit and/or compliance examination engagement reports into a web-based system, attaches a copy of each report in Adobe Acrobat (.pdf) format, and submits all information to ED via the eZ-Audit system.

Instructions for eZ-Audit registration and eZ-Audit are available at the eZ-Audit website. Questions about eZ-Audit can be e-mailed to fsaezaudit@ed.gov or by calling the eZ-Audit Help Desk at (877) 263-0780.

Schools or servicers may contract with you to perform eZ-Audit data entry and submit the financial and/or compliance examination engagement to the eZ-Audit system. However, it is the responsibility of the school or servicer to ensure that the reports are submitted within the specified deadlines. Failure to meet due dates may result in administrative proceedings leading to sanctions against the school or servicer.
B.1. RELATED PARTY TRANSACTIONS

According to 34 C.F.R. § 668.23(d)(1), the school’s financial statements must include a detailed description of related entities (as defined by Accounting Standards Codification 850), including the nature and amount of any transactions between the related entity and the school, financial or otherwise, regardless of when they occurred. This disclosure requirement extends beyond those of Accounting Standards Codification 850 to include identification of all related parties and a level of detail that would enable ED to readily identify the related party. Such information must include, but is not limited to, the name, location and a description of the related entity. The level of detail must include a complete description of the related entity, including any common ownership between the entity and the school. If there are no related party transactions during the audited fiscal year or related party outstanding balances reported in the financial statements, then management must add a note to the financial statements to disclose this fact. Section D-3a of this chapter presents an example of a properly presented note to the financial statements for Related Party Transactions.

You should ascertain that related party footnote disclosures comply with 34 C.F.R. § 668.23(d)(1). You may consider establishing a lower materiality for the additional related party disclosures required by ED, than the materiality for the financial statements as a whole. In determining the materiality level to be applied to the related party disclosure, you should consider the reasons cited by ED in the final rule as to the need for a related party disclosure that goes beyond GAAP.

Audit Objective:
Determine if the school’s footnotes to its financial statements accurately and comprehensively (1) described its transactions with related entities, with a level of detail that would enable ED to readily identify the related parties, regardless of the materiality to the financial statements or (2) disclose that there are no related party transactions during the audited fiscal year.

Required Procedures:

B.1.a Examine the notes disclosing related party transactions, or lack thereof, and determine whether they include the information required by 34 C.F.R. § 668.23(d)(1).

B.1.b Obtain from management their disclosure of all the school’s related parties and all the related party relationships and transactions of which it is aware (AU-C 580.17a). Review the related parties and transactions disclosed to the auditor,

1 Related parties may include affiliates, principal owners, and management of the school; members of the immediate families of principal owners and management of the school; and other parties that control or can significantly influence the management or operating policies of the school. The full definition of related parties should be referred to for parties considered to be related.
review accounting records and other records or documents, and inquire of management to determine whether there are any related party transactions that have not been disclosed in the notes to the financial statements.

B.1.c Report as an instance of noncompliance that is required to be reported under this Guide, in the 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, any undisclosed related party transactions, and any note that does not include a level of detail that enables ED to readily identify the related party.
A.5. REPORT DUE DATES AND SUBMISSION

Financial statement audit reports and compliance attestation reports performed in accordance with this Guide are due by the date that is the earlier of:

1. thirty days after the date of the auditor’s report for the compliance attestation engagement or the date of the auditor’s report for the audited financial statements, whichever is later, or
2. six months after the last day of the foreign school’s fiscal year.

For example, a school has a fiscal year end of 12/31/2024 and the dates of the auditor’s report for the financial statement audit and for the compliance examination engagement are 3/22/2025 and 4/15/2025, respectively. Since thirty days after 4/15/2025 (5/15/2025) is earlier that six months after the last day of the school’s fiscal year (6/30/2025), the school’s report is due by 5/15/2025.

Reports are submitted to ED through the eZ-Audit system. The eZ-Audit system is a web-based paperless single point of submission for audited financial statements and compliance attestation engagements. The school enters summary audit and financial data from its financial statement audit compliance attestation engagement reports into a web-based system, attaches a copy of each report in Adobe Acrobat (.pdf) format, and submits all information to ED via the eZ-Audit system.

Instructions for eZ-Audit registration and eZ-Audit are available at the eZ-Audit website. Questions about eZ-Audit can be e-mailed to fsaezaudit@ed.gov or by calling the eZ-Audit Help Desk at (877) 263-0780.

Schools may contract with you to perform eZ-Audit data entry and submit the financial/compliance engagement reports to ED. However, it is the responsibility of the school to ensure that the reports are submitted within the specified deadlines. Failure to meet due dates may result in administrative proceedings leading to sanctions against the school.
Replace Chapter 2, Section E.1 of the *Guide for Financial Statement Audits and Compliance Attestation Engagements of Foreign Schools*

**E.1. RELATED PARTY TRANSACTIONS**

According to 34 C.F.R. § 668.23(d)(1), the school’s financial statements (when required, based on the volume of funds received as discussed in Chapter 2, Section A.2) must include a detailed description of related entities, as defined in Accounting Standards Codification 850, *Related Party Disclosures*, including the nature and amount of any transactions between the related entity and the school, financial or otherwise, regardless of when they occurred. However, the requirements of these regulations extend beyond those of Accounting Standards Codification 850 to include all related parties and a level of detail that would enable ED to readily identify the related party. Such information must include, but is not limited to, the name, location, and a description of the related entity. The level of detail must include a complete description of the related entity, including any common ownership between the entity and the school. If there are no related party transactions during the audited fiscal year or related party outstanding balances reported in the financial statements, then management must add a note to the financial statements to disclose this fact.

You must ascertain that management’s disclosures comply with 34 C.F.R. § 668.23(d)(1). You may consider establishing a lower materiality for the additional related party disclosures required by ED, than the materiality for the financial statements as a whole. In determining the materiality level to be applied to the related party disclosure, you should consider the reasons cited by ED in the final rule as to the need for a related party disclosure that goes beyond GAAP.

Section F.3-3, Note X of this chapter, presents an example of a properly presented note to the financial statements for Related Party Transactions.

**Audit Objective:**
Determine if the school’s footnotes to its financial statements accurately and comprehensively (1) describe its transactions with related entities, with a level of detail that would enable ED to readily identify the related parties, regardless of the materiality to the financial statements or (2) disclose that there are no related party transactions during the audited fiscal year.

**Required Procedures:**

E.1.a Examine the notes disclosing related party transactions, or lack thereof, and determine whether they include the information required by 34 C.F.R. § 668.23(d)(1).

E.1.b Obtain from management their disclosure of all the school’s related parties and all the related party relationships and transactions of which it is aware (AU-C 580.17a). Review the related parties and transactions disclosed to the auditor,

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2 Related parties may include affiliates, principal owners, and management of the school; members of the immediate families of principal owners and management of the school; and other parties that control or can significantly influence the management or operating policies of the school. The full amended definition of related parties should be referred to for parties considered to be related.
review accounting records and other records or documents, and inquire of management to determine whether there are any related party transactions that have not been disclosed in the notes to the financial statements.

E.1.c Report as an instance of noncompliance that is required to be reported under this Guide, in the 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, any undisclosed related party transactions, and any note that does not include a level of detail that enables ED to readily identify the related party transactions.