



UNITED STATES DEPARTMENT OF EDUCATION

OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

GEN-09-06

May 14, 2009

Subject: Notice of waiver of annual financial audit requirement for foreign schools that receive less than \$500,000 in FFEL Program funds

Summary: This letter announces a waiver of the annual financial statement audit requirement for foreign schools whose enrolled students received less than \$500,000 in FFEL Program funds during the award year preceding the audit period.

Dear Colleague:

The Higher Education Opportunity Act (Public Law 110-315) (HEOA) was enacted on August 14, 2008. Section 493(b) of the HEOA amended Section 487(c)(1)(A)(i) of the Higher Education Act of 1965, as amended (HEA), 20 U.S.C. § 1094(c)(1)(A)(i), to give the Secretary the authority to waive financial audit requirements for foreign schools whose enrolled students received less than \$500,000 (in U.S. dollars) in Federal Family Education Loan (FFEL) Program funds during the award year preceding the audit period.

Under 20 U.S.C. § 1094(c), 34 CFR § 668.23, the annual submission of both a compliance audit and an audited financial statement is required of all institutions participating in the student financial assistance programs authorized by Title IV of the HEA. Previous guidance by the Department permitted a foreign school whose enrolled students received less than \$500,000 (in U.S. dollars) in FFEL Program funds per fiscal year to have its required audited financial statements prepared according to the generally accepted accounting principles and auditing standards of the school's home country. The Secretary hereby exercises his authority under amended Section 1094(c) and waives the annual financial statement audit requirements for any foreign school whose enrolled students received less than \$500,000 (in U.S. dollars) in FFEL Program funds in the award year preceding the audit period. This waiver applies to any financial statement audit for such a foreign school due on or after August 14, 2008, the effective date of the amendment to this provision by the HEOA.

Note that the waiver of the financial audit requirement is based on FFEL Program volume for an award year, rather than an institution's fiscal year. An award year is defined in 34 CFR § 600.2 as the period of time from July 1 of one year through June 30 of the following year. An audited financial statement must cover a school's most recently completed fiscal year. An audit must be submitted no later than six months after the last day of the institution's fiscal year. For example, a foreign school with a calendar year fiscal year ending December 31 must submit its audited financial statements for the period January 1, 2008, through December 31, 2008, to the Department by June 30, 2009, unless the school's FFEL Program loan volume for the period of July 1, 2006, through June 30, 2007, is less than \$500,000.

1990 K ST. N.W., WASHINGTON, DC 20006
www.ed.gov

period January 1, 2008, through December 31, 2008, to the Department by June 30, 2009, unless the school's FFEL Program loan volume for the period of July 1, 2006, through June 30, 2007, is less than \$500,000.

This waiver applies to only the required submission of audited financial statements. It does not apply to the required annual compliance audit submission. Every foreign school, including those that enroll U.S. students who receive less than \$500,000 in FFEL Program funds in an award year, must submit a compliance audit each year.

In addition to giving the Secretary the authority to waive financial audit requirements for foreign schools that receive less than \$500,000 in FFEL Program funds in the preceding year, the HEOA also gives the Secretary the authority to modify the financial audit requirements for other foreign schools. However, we are not making any such modifications at this time. More information on this provision and the additional provisions of the HEOA is provided in Dear Colleague Letter GEN-08-12, published in December 2008. A copy of the Dear Colleague Letter and additional information on the implementation of the HEOA can be found at the Department's Web site at www.ed.gov/HEOA.

Should you have any questions concerning this waiver, please contact the Departments Foreign Schools staff at fsa.foreign.schools.team@ed.gov.

We thank you for your continued cooperation in administering the Title IV programs.

Sincerely,

A handwritten signature in black ink, appearing to read "Daniel T. Madzelan", with a long horizontal flourish extending to the right.

Daniel T. Madzelan
Delegated the Authority to Perform
the Functions and Duties of the
Assistant Secretary for
Postsecondary Education