



June 9, 2016

Mr. Gilbert Tran
Office of Federal Financial Management
U.S. Office of Management and Budget
New Executive Office Building, Room 6025
Washington, DC 20503

Dear Gil:

The National Association of College and University Business Officers (NACUBO) recently learned that the U.S. Department of Education (ED) is considering asking for the Student Financial Assistance (SFA) cluster to be audited as a major program annually at colleges and universities that are subject to the Single Audit Act. NACUBO is a nonprofit association representing chief financial and administrative officers at more than 2,100 nonprofit and public colleges and universities. In its capacity as a professional association, NACUBO specializes in financial accounting and reporting.

Thank you for taking the time on June 7 to discuss NACUBO's concerns about this proposed change. We are troubled by the proposal in general and particularly by the prospect that ED may demand that this change to current policy apply to audits for FY16. We question ED's legal authority to do this, urge OMB to ensure proper procedures are followed, and object on a practical basis to the suggestion that changes might be made for audits that are already underway.

While we recognize the importance of verifying that colleges and universities are meeting their obligations to administer federal financial aid programs properly, government audit requirements must be sensible and appropriate. Meeting this balance was one of the overarching goals of President Obama's directive to streamline guidance for federal awards and to ease administrative burden, which ultimately led to the Office of Management and Budget's 2013 Uniform Administrative Requirements, Cost Principles, and Audit Requirements (Uniform Guidance). We note that federal agencies were afforded ample opportunity to provide input on the revised audit policies before they were finalized.

For many colleges and universities, audits of major programs have long been cyclical under both Circular A-133 and now under the Uniform Guidance due to reliance on risk-based selection criteria. This is especially true for large institutions with substantial funding in other areas or for public institutions that are audited as part of their respective states. Under A-133, research grant volume resulted in many universities having research and SFA clusters audited in alternating years. Under the Uniform Guidance, the auditor assessment steps may lead to SFA—when it qualifies as a low-risk program—being audited every three years.

Legal Authority. The Single Audit Act was enacted to streamline audit requirements across agencies and lessen the audit burden on recipients of federal awards. It prevents each federal agency from demanding that its programs take priority for audit. The Higher Education Act requires eligible institutions to have financial and compliance audits performed annually (20 USC

§1094(c)(1)(a)(i)), the following clause at (a)(ii) specifically states that audits performed under the Single Audit Act (chapter 75 of Title 31) are *deemed to satisfy* these audit requirements.

Procedural Concerns. The Uniform Guidance sets forth a process under §200.503 to which ED should be held if it chooses to request that the SFA cluster be audited as a major program when it would not otherwise be selected under the criteria set forth in §200.518. ED must give written notice to an institution at least 180 days prior to the end of its fiscal year requesting such an audit, and if the program would not otherwise have been selected for audit using the risk-based approach, ED is responsible for paying the incremental cost of such audits.

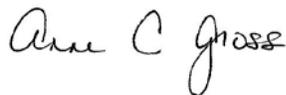
NACUBO does not understand how ED could countermand the current rules established in the Uniform Guidance and adopted by ED without engaging in a formal rulemaking process that allows for public notice and comment.

Practical Barriers. There is a real cost and administrative burden to requiring additional audits. We have heard that ED was contemplating demanding SFA compliance audits for FY16 audits. With most institutions' fiscal years ending June 30, this would be untenable. Audit budgets and plans are typically established months or even a year in advance, and field work is well underway before the close of the fiscal year. Adding an audit of this scope would require additional fees to audit firms as well as realignment of institutional human resources. An unplanned audit at this late date would be extremely burdensome and costly for all affected institutions. An informal poll of a small sample of research universities resulted in cost estimates of \$40,000 to \$80,000 for a compliance audit of an additional major program. This does not take into account the human and financial resources needed for public institutions that are currently included in their state's audit.

NACUBO urges OMB to (1) confirm ED is upholding the goals of the President's directives to streamline guidance for federal awards to ease administrative burden; and (2) ensure ED complies with the required regulatory process (which includes a notification and comment period) should they wish to deviate from the Uniform Guidance. Not only are we concerned about the near-term impact for our member institutions, but we are also alarmed about the precedent such actions may set, enabling other federal agencies to ignore the Uniform Guidance and demand priority, undermining the laudable goals of the President's directive.

Please contact Sue Menditto, director of accounting policy, at 202.861.2542 or smenditto@nacubo.org, or me at 202.861.2544 or agross@nacubo.org if you have any questions or wish to discuss this matter further. Thank you for your attention to NACUBO's concerns.

Sincerely,



Anne C. Gross
Vice President, Regulatory Affairs

cc: Karen Lee, OMB
Phillip Juengst, ED
R. Kinney Poynter, NASACT