

May 30, 2017

Potential Changes to Single Audits for Higher Education Institutions

AUDIT, HIGHER EDUCATION
BY SCHNEIDER DOWNS PROFESSIONAL

In 2016, the Department of Education (DOE) attempted to implement a mandatory annual compliance audit of Student Financial Assistance programs beginning in FY 2017. This would've been included in the Office of Management and Budget's (OMB) 2017 Compliance Supplement. The DOE stated:

"...an institution may meet this annual submission requirement by submitting annual audited financial statements and a compliance audit of the institution that were prepared either in accordance with the OIG [Office of Inspector General] audit guides or in accordance with the Single Audit Act requirements. In either case, the compliance audit must be submitted annually. Therefore, a submission prepared under the Single Audit Act requirement that does not include a compliance audit does not meet the Higher Education Act audit requirement."

Several higher education associations expressed concerns to the DOE that this proposal conflicts with the Single Audit Act Amendments of 1996 and the Uniform Guidance, which were implemented to encourage more effective and efficient audits by focusing resources on higher-risk programs. These organizations requested that the OMB provide legal analysis of the Higher Education Act and Single Audit Act, and review the DOE's position to develop clearer audit guidance.

As a result of the concerns, The DOE has stated that the proposed mandatory annual compliance audit of Student Financial Assistance programs will be delayed to fiscal year 2018. The DOE stated in its original August 2016 announcement that if an institution's auditor has determined that the institution's Student Financial Assistance Program Cluster was low-risk, that the institution should contact DOE's School Participation Division. As a result of this change, this could potentially increase the cost of compliance for all higher education institutions, since auditors would no longer be permitted to include Student Financial Assistance Cluster (or other significant programs administered by the DOE) in the tri-annual rotation if these major programs were deemed to be low-risk. This change in the audit requirement is contrary to much of efforts put forth in overhaul of the compliance supplements with the adoption of Uniform Guidance over the past few years to adopt a more risk-focused audit approach.

For more information, [contact Schneider Downs](#) or visit the [Our Thoughts On... blog](#).

You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're

especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at contactSD@schneiderdowns.com.

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

© 2024 Schneider Downs. All rights-reserved. All content on this site is property of Schneider Downs unless otherwise noted and should not be used without [written permission](#).