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SUPPORTING STATEMENT

FOR

PAPERWORK REDUCTION ACT SUBMISSION

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A. **Justification**

1. **Circumstances Making Collection of Information Necessary**

All public, non-profit and proprietary institutions participating in the Title IV, HEA programs are required to submit audited financial statements and compliance audits that are prepared in accordance with Generally Accepted Accounting Principles (GAAP), Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS). An institution is required to submit audits annually (34 CFR 668.23), and whenever it seeks to begin or continue participating in the Title IV, HEA programs (34 CFR 660.20(a) or (b)), undergoes a change in ownership that results in a change in control (34 CFR 600.20(g)), or ceases to participate in the programs (34 CFR 668.26(b)).

Under eZ-Audit, institutions log onto a secure Department website, enter general and specific information about their audits, and attach an electronic file of those audits made using Adobe Acrobat version 5.0 or higher. The Department needs the information in electronic form to more efficiently review audits and provide more timely and useful information to institutions regarding the Department's review.

2. **Use of Information**

The Department will use the information from eZ-Audit to determine whether an institution has submitted its audits within the required timeframes, to make a preliminary determination as to whether an institution satisfies the financial responsibility standards in 34 CFR part 668, Subpart L of the Student Assistance General Provisions regulations (or in the case of a change in ownership resulting in a change in control, whether the institution satisfies the financial ratio requirements under 34 CFR 668.15), and to otherwise monitor an institution's compliance with Title IV program requirements. The information also is used to assess whether the audits from an institution are materially complete and conducted in accordance with applicable standards.

We have revised this collection so that the information being collected is reduced significantly. As part satisfying the terms of clearance from eZ-Audit's 2004 OMB Clearance,

general information screens, financial data template line items and Step-by-Step Guides were revised to improve the submission process and reduce burden on submitting institutions. Additional revisions are being made to further reduce that burden. The general information questions, used for the preliminary determination, have been significantly decreased throughout the application for all institution types. The checklist has been modified to provide assistive information and request contact information only. The financial statements templates (balance sheet, income statement, statement of financial position and statement of activities), also used as part of the preliminary determination, have been modified to require only those items needed to compute the composite score. The cash flow statement has been removed. The non-profit financial template line items have been reduced from eighty (80) to eighteen (18). Proprietary financial template line items have been reduced from ninety-eight (98) to sixteen (16). Additional data needed to perform more in-depth analysis will be collected using the attached electronic copy of the audit.

The modifications to eZ-Audit are as a result of analyzing the reasons submissions are being deemed incomplete and the amount of time and effort for institutions to resubmit their eZ-Audit submissions as well as recommendations from an internal system audit. By reducing the number of line items an immediate benefit will be realized, as institutions will be able to meet their requirement to submit timely and materially complete audits and remediate any issues with their audit in a more timely and efficient manner.

3. **Use of Information Technology**

eZ-Audit is a web-based application designed to facilitate the electronic submission of required financial statements and compliance audits and to serve as a data repository for compliance and research purposes.

4. **Efforts to Identify Duplication**

The Department does not use any other mechanism to collect this information.

5. **Methods to Minimize Burden on Small Entities**

Because eZ-Audit is web-based, an institution does not have to acquire any unique software. To facilitate the electronic submission of financial statements and compliance audits, the information collected on the data input screens is from the auditor's report. With regard to the electronic copy of the audits, the Adobe PDF file format was chosen because it provides the security needed and is commonly available at low cost.

June 14, 2007   2

6. **Consequences If Information Is Not Collected**

The Department would not be able to continue to fully implement the eZ-Audit process and would need to revert to the paper audit submissions process, forestalling the projected benefits of obtaining audit information in a quicker, more efficient manner, and increasing the Department's costs by having to manage these processes.

7. **Special Circumstances**

No special circumstances apply to this information collection.

8. **Federal Register Comments**

We published both the sixty-day (60) and 30-day (30) Federal Register notices inviting public comment.

9. **Respondent Payment or Gifts**

The Department will not provide payment or gifts to the users of eZ-Audit. The submission of financial and compliance audits is mandatory.

10. **Assurances of Confidentiality**.

No assurance of confidentiality is provided to respondents. Audit information that is provided through eZ-Audit or a paper-based process is subject to release to the public under the applicable provisions of the Freedom of Information Act.

11. **Questions of Sensitive Nature**

No questions of a sensitive nature are requested in eZ-Audit.

12. **Estimate of of Hour Burden**

All institutions enter on the eZ-Audit input screens only general information about their compliance audits. To determine whether non-profit and proprietary institutions satisfy certain financially responsible requirements under the program regulations, these institutions must enter on the eZ-Audit data input screens general and specific information about their financial audits. However, because public institutions are not subject to these requirements, they enter only general information about their financial audits. The burden hour estimates in the table below reflect this difference.

There are approximately 2,200 public institutions, 1,900 non-profit institutions, and 2,000 proprietary institutions that are required to submit audits to the Department. The burden hour estimates in the following table assume that an independent auditor, certified public account, or similarly qualified person at an institution is completing the eZ-Audit input screens

for both the compliance and financial audits (the burden hours are lower for all other cases where only a compliance or financial audit is required).

Institution	Burden Hour Estimates for Completing the Input Screens	Total Burden Hours (for All Institutions)
All Public (2200)	15 minutes	550
All Non-profit (1900)	30 minutes	950
All Proprietary (2000)	30 minutes	1000

Total Burden Hours: 2500

In deriving the "Burden Hour Estimates for Completing the Input Screens" the total number of fields to be entered by each institution type was taken into consideration. The table below provides a break out of eZ-Audit fields to be provided by institution type:

Institution	eZ-Audit Fields
All Public (2200)	16
All Non-profit (1900)	34
All Proprietary (2000)	31

It was assumed that the total burden for each field is approximately 30 – 60 seconds, which includes preparation work and the actual time it takes to key the information and upload the documents. Therefore, multiplying the number of eZ-Audit fields by the amount of time it takes per field resulted in the burden hour estimate.

The following table depicts the total cost burden for all institutions for creating the PDF document to be uploaded to the eZ-Audit system and completing online input of information into the eZ-Audit system. The estimated PDF creation costs assume that an institution will use either an on-line service or the services of a copy center to make an authentic, electronic copy of both its compliance and financial statement audits using Adobe Acrobat version 5.0 or higher. The cost range for these services is estimated at $50. The estimated online input burden costs assume that an institution will utilize an employee whose total cost to the institution (including benefits and other fringe) will cost $100 an hour to input the data. This number is then multiplied by the Total Burden Hour Estimates for Completing the Input

Screens (as defined previously) to get the total cost.

Estimated Cost Burden for completing online input & PDF creation

Institution	Cost of Creating PDF	Cost of Online Input	Total Cost
All Public (2200)	$110,000	$55,000	$165,000
All Non-profit (1900)	$95,000	$95,000	$190,000
All Proprietary (2000)	$100,000	$100,000	$200,000

Total Cost of Creating PDF: $305,000

Total Cost on online input: $250,000

Total Estimated Cost Burden: $555,000

13. **Estimate of Cost Burden**

There are not start-up costs.

14. **Estimate of Annual Cost to the Federal Government**

This electronic information collection represents a cost savings of approximately $800,000 over a manual collection method. Under the paper-based collection method, the cost to the Department is about $2.6 million annually. Under eZ-Audit, the Department's cost is estimated at $1.8 million.

15. **Program Changes or Adjustments**

The number of general information questions and financial data templates are being reduced and which results in less data input by the user.   The general information questions and financial statement templates have been reduced by over fifty percent (50%) for all institution types. The financial templates will consist of items required to compute the composite score only and the acid test ratio for change in ownership submissions, and Federal Student Aid will validate each item by analyzing the authentic electronic copy of the financial statements that institutions will be required to attach. These modifications will result in fewer burden hours on all institutions using eZ-Audit.

16. **Plans for Tabulation and Publication of Results**

No tabulation or publication of the results will take place.

17. **Approval to not Display OMB Expiration Date**

June 14, 2007   5

All data collection instruments will include the OMB expiration date.

18. **Explanation of Exceptions**

No exceptions are requested.