

SUPPORTING STATEMENT

Information Collections under the Proposed Regulations Governing the Student Assistance
General Provisions – Subpart B – Standards for Participating in Title IV, HEA Programs

RIN-1840-AD03

A. Justification

1. Necessity of Information Collected

This request is for approval of changes to the policies and procedures for determining the requirements for submission of audited financial statements and compliance audits from foreign schools that participate in Title IV, HEA programs. The proposed regulations restructure the financial and compliance audit requirements into subparagraph h of section 668.23.

These proposed regulations specify the policies and procedures will work to ensure that sufficient information is provided to the Department to allow for timely determinations of proper use and oversight of title IV HEA program funds, for those foreign institutions that have U.S. students attending eligible programs and who receive federally insured student loans.

The Department of Education (Department) announced in a September 9, 2009 Federal Register notice (74 FR 46399), the Department’s intention to establish negotiated rulemaking committees to prepare proposed regulation under Title IV of the HEA. These committees were formed as a result of a Federal Register notice published on May 26, 2009 (74 FR 24728) which announced a series of three regional hearings at which interested parties could comment on topics suggested by the Department and suggest additional topics for consideration. The topics of “United States Generally Accepted Accounting Principles (U.S. GAAP) financial statements” and “Compliance audits” were among the list of issues listed by the Department for Team II Foreign Schools.

2. Purpose and Use of Information Collected

General Provisions - Subpart B – Standards for Participating in Title IV, HEA Programs

(OMB control number 1845-0038)

Section 668.23 – Compliance audits and audited financial statements.

The proposed regulation in §668.23(h)(1) would establish new audited financial statement submission requirements for foreign institutions receiving Title IV, HEA program funds in the most recently completed fiscal year. The proposed regulation in §668.23(h)(2) would separate foreign institutions into two groups, establishing new compliance audit requirements for foreign schools based upon whether the institution received less than \$500,000 or \$500,000 or more in Title IV, HEA program funds during the institution’s most recently completed fiscal year.

3. Consideration of Improved Information Technology

Institutions may use computer and Internet technology to image, transmit, and receive the supporting documents.

4. Efforts to Identify Duplication

There is no duplication of data as a result of the collection of this information.

5. Burden Minimization as Applied to Small Business

No small businesses are impacted by this collection.

6. Consequences of Less Frequent Data Collection

The statute requires that institutions who meet specific criteria must provide both audited financial statements and compliance audits. Audits not received by the specified interval could risk funds being disbursed to students at institutions that do not meet eligibility requirements.

7. Special Circumstances Governing Data Collection

This application is consistent with all of the guidelines in 5 CFR 1320.5(d)(2).

8. Consultation Outside the Agency

The Notice of Proposed Rulemaking as well as a 60 day notice will be published in the Federal Register seeking public comment. Prior to the approval of these proposed regulations, the Department negotiated with members of the community during three sessions in early 2010.

9. Payments or Gifts to Respondents

No payments or gifts will be provided to the respondents.

10. Assurance of Confidentiality

There is no assurance of confidentiality provided to institutions for the submission of this information.

11. Questions of a Sensitive Nature

The Department is no requesting any sensitive data.

12. Annual Hour Burden for Respondents/Recordkeepers

The additional burden hours calculated below include time for reviewing the change in regulations; for determining the method and means to incorporate changes; develop or update systems and forms and formats for gathering the required information; and to prepare the required reports.

Section 668.23 – Compliance audits and audited financial statements.

§668.23(h)(1) – Audited financial statements.

Translations to English of financial statements

<u># of Respondents</u>	<u># of Responses</u>	<u>Hrs/Response</u>	<u># of Burden Hours</u>
Private institutions			
15	15	X 35	525
Public institutions			
15	15	X 35	525
TOTAL			
30	30		1,050

§668.23(h)(1) – Audited financial statements.

US GAAP preparation for financial statements

<u># of Respondents</u>	<u># of Responses</u>	<u>Hrs/Response</u>	<u># of Burden Hours</u>
For-profit institutions			
4	4	X 100	400
Private institutions			
8	8	X 100	800
Public institutions			
20	20	X 100	2,000
TOTAL			
32	32		3,200

§668.23(h)(2) – Compliance audits.

Compliance audits under alternate standards

<u># of Respondents</u>	<u># of Responses</u>	<u>Hrs/Response</u>	<u># of Burden Hours</u>
Private institutions			
81	81	X 25	2,025
Public institutions			
269	269	X 25	6,725

TOTAL	350	350	8,750
-------	-----	-----	-------

§668.23(h)(2) – Compliance audits.

Compliance audits under full audit standards

<u># of Respondents</u>	<u># of Responses</u>	<u>Hrs/Response</u>	<u># of Burden Hours</u>
-------------------------	-----------------------	---------------------	--------------------------

For-profit institutions

4	4	X 40	160
---	---	------	-----

Private institutions

29	29	X 40	1,160
----	----	------	-------

Public institutions

90	90	X 40	3,600
----	----	------	-------

TOTAL

123	123		4,920
-----	-----	--	-------

GRAND TOTAL FOR REGULATORY CHANGES

535	535		17,920
------------	------------	--	---------------

CURRENT REGULATORY TOTALS

24,137	1,032,413		965,878
--------	-----------	--	---------

GRAND TOTAL FOR CURRENT AND PROPOSED REGULATORY CHANGES

24,672	1,032,948		983,798
--------	-----------	--	---------

For additional information, please see the supplementary document “OMB 1845-0038 v9 Table”.

13. Start-Up Cost Burden to the Respondents

There is no new system start-up costs associated with these proposed regulations.

14. Estimated Annual Cost to the Federal Government

There are no additional costs to the Federal government as a result of the proposed regulation.

15. Reasons for Changes to Burden Hour Estimated

The burden changes are a result of proposed changes to regulations to help to clarify which institutions are required to provide audited financial statements and compliance audits and at what level the reporting is needed. A summary is provided below.

# of Respondents	# of Responses	# of Burden Hours
<u>Section 668.23(h)(1) – Audited financial statements.</u>		
62	62	4,250
<u>Section 668.23(h)(2) – Compliance audits.</u>		
473	473	13,670
TOTAL		
535	535	17,920

16. Collection of Information with Published Results

The results of the collection of information will not be published.

17. Approval to Not Display Expiration Date

The Department is not seeking this approval.

18. Exception to the Certification Statement

The Department is not requesting any exceptions to the “Certification of Paperwork Reduction Act Submissions”.