

SUPPORTING STATEMENT

FOR PAPERWORK REDUCTION ACT SUBMISSION

EDICS Tracking and OMB Number: (1438.14) 1845-0072

Revised 03/12/2013

RIN Number: XXXX-XXXX (if applicable)

A. Justification

1. Explain the circumstances that make the collection of information necessary. Identify any legal or administrative requirements that necessitate the collection. Attach a hard copy of the appropriate section of each statute and regulation mandating or authorizing the collection of information, or you may provide a valid URL link or paste the applicable section. Please limit pasted text to no longer than 3 pages. Specify the review type of the collection (new, revision, extension, reinstatement with change, reinstatement without change). If revised, briefly specify the changes. If a rulemaking is involved, make note of the sections or changed sections, if applicable.

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 600.20(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.

Link to referenced regulations:

34 CFR 668.23 - <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=10436ddf220bd6dc9f2b9b35015b0999&ty=HTML&h=L&n=34y3.1.3.1.34&r=PART#34:3.1.3.1.34.2.39.13>

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34 CFR 600.20 - <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=82b46309483c30f0a1c11eab5295d5ca&ty=HTML&h=L&n=34y3.1.3.1.1&r=PART#34:3.1.3.1.1.2.23.1>

34 CFR 668.26 - <http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=1&SID=82b46309483c30f0a1c11eab5295d5ca&ty=HTML&h=L&r=SECTION&n=34y3.1.3.1.34.2.39.16>

2. Indicate how, by whom, and for what purpose the information is to be used. Except for a new collection, indicate the actual use the agency has made of the information received from the current collection.

The Department continues to 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. Information received from this collection has been used for data made to the public when requested.

There have been no changes to this collection since it was revised in 2007, which significantly reduced the burden on submitting institutions. The general information questions, used for the preliminary determination, have not changed for any of institution types. 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 not been modified and still require only those items needed to compute the composite score. There are eighteen (18) non-profit financial template line items. Proprietary financial template has sixteen (16) line items. Additional data needed to perform more in-depth analysis is collected using the attached electronic copy of the audit.

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This collection continues to provide an immediate benefit , as institutions are able to meet their requirement to submit timely and materially complete audits, track submission status and remediate any issues with their audit in a more timely and efficient manner.

3. Describe whether, and to what extent, the collection of information involves the use of automated, electronic, mechanical, or other technological collection techniques or forms of information technology, e.g. permitting electronic submission of responses, and the basis for the decision of adopting this means of collection. Also describe any consideration given to using technology to reduce burden.

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. All submissions and resubmissions, if required and additional information are submitted via the application.

4. Describe efforts to identify duplication. Show specifically why any similar information already available cannot be used or modified for use for the purposes described in Item 2 above.

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

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden. A small entity may be (1) a small business which is deemed to be one that is independently owned and operated and that is not dominant in its field of operation; (2) a small organization that is any not-for-profit enterprise that is independently owned and operated and is not dominant in its field; or (3) a small government jurisdiction, which is a government of a city, county, town, township, school district, or special district with a population of less than 50,000.

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.

6. Describe the consequences to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

The Department would not be able to continue to fully implement the eZ-Audit

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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. Explain any special circumstances that would cause an information collection to be conducted in a manner:
- requiring respondents to report information to the agency more often than quarterly;
 - requiring respondents to prepare a written response to a collection of information in fewer than 30 days after receipt of it;
 - requiring respondents to submit more than an original and two copies of any document;
 - requiring respondents to retain records, other than health, medical, government contract, grant-in-aid, or tax records for more than three years;
 - in connection with a statistical survey, that is not designed to produce valid and reliable results than can be generalized to the universe of study;
 - requiring the use of a statistical data classification that has not been reviewed and approved by OMB;
 - that includes a pledge of confidentiality that is not supported by authority established in statute or regulation, that is not supported by disclosure and data security policies that are consistent with the pledge, or that unnecessarily impedes sharing of data with other agencies for compatible confidential use; or
 - requiring respondents to submit proprietary trade secrets, or other confidential information unless the agency can demonstrate that it has instituted procedures to protect the information's confidentiality to the extent permitted by law.

No special circumstances apply to this information collection.

8. As applicable, state that the Department has published the 60 and 30 Federal Register notices as required by 5 CFR 1320.8(d), soliciting comments on the information collection prior to submission to OMB. Summarize public comments received in response to that notice and describe actions taken by the agency in response to these comments. Specifically address comments received on cost and hour burden.

Describe efforts to consult with persons outside the agency to obtain their views on the availability of data, frequency of collection, the clarity of instruction and record keeping, disclosure, or reporting format (if any), and on the data elements to be recorded, disclosed, or reported.

Consultation with representatives of those from whom information is to be obtained or those who must compile records should occur at least once every 3 years – even if the collection of information activity is the same as in prior periods. There may be

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circumstances that may preclude consultation in a specific situation. These circumstances should be explained.

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

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees with meaningful justification.

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

10. Describe any assurance of confidentiality provided to respondents and the basis for the assurance in statute, regulation, or agency policy. If personally identifiable information (PII) is being collected, a Privacy Act statement should be included on the instrument. Please provide a citation for the Systems of Record Notice and the date a Privacy Impact Assessment was completed as indicated on the IC Data Form. A confidentiality statement with a legal citation that authorizes the pledge of confidentiality should be provided. Requests for this information are in accordance with the following ED and OMB policies: Privacy Act of 1974, OMB Circular A-108 – Privacy Act Implementation – Guidelines and Responsibilities, OMB Circular A-130 Appendix I – Federal Agency Responsibilities for Maintaining Records About Individuals, OMB M-03-22 – OMB Guidance for Implementing the Privacy Provisions of the E-Government Act of 2002, OMB M-06-15 – Safeguarding Personally Identifiable Information, OM:6-104 – Privacy Act of 1974 (Collection, Use and Protection of Personally Identifiable Information). If the collection is subject to the Privacy Act, the Privacy Act statement is deemed sufficient with respect to confidentiality. If there is no expectation of confidentiality, simply state that the Department makes no pledge about the confidentiality of the data.

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. Provide additional justification for any questions of a sensitive nature, such as sexual behavior and attitudes, religious beliefs, and other matters that are commonly considered private. The justification should include the reasons why the agency considers the questions necessary, the specific uses to be made of the information, the explanation to be given to persons from whom the information is requested, and any steps to be taken to obtain their consent.

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

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12. Provide estimates of the hour burden of the collection of information. The statement should:

- Indicate the number of respondents by affected public type (federal government, individuals or households, private sector – businesses or other for-profit, private sector – not-for-profit institutions, farms, state, local or tribal governments), frequency of response, annual hour burden, and an explanation of how the burden was estimated, including identification of burden type: recordkeeping, reporting or third party disclosure. All narrative should be included in item 12. Unless directed to do so, agencies should not conduct special surveys to obtain information on which to base hour burden estimates. Consultation with a sample (fewer than 10) of potential respondents is desirable. If the hour burden on respondents is expected to vary widely because of differences in activity, size, or complexity, show the range of estimated hour burden, and explain the reasons for the variance. Generally, estimates should not include burden hours for customary and usual business practices.
- If this request for approval covers more than one form, provide separate hour burden estimates for each form and aggregate the hour burdens in the ROCIS IC Burden Analysis Table. (The table should at minimum include Respondent types, IC activity, Respondent and Responses, Hours/Response, and Total Hours)
- Provide estimates of annualized cost to respondents of the hour burdens for collections of information, identifying and using appropriate wage rate categories. The cost of contracting out or paying outside parties for information collection activities should not be included here. Instead, this cost should be included in Item 14.

This collection represents a Reporting burden type. 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

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audit is required).

Institution Type	Burden Hour Estimates for Completing the Input Screens	Total Burden Hours (for All Institutions)
All Public (State and Local) 2200	16 minutes	587
All Not-for Profit 1900	27 minutes	855
All For Profit (Proprietary) 2000	27 minutes	900

Total Burden Hours: 2342

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 Type	eZ-Audit Fields
All Public (State and Local) - 2200	16
All Not-for Profit – 1900	34
All For Profit (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

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is estimated at \$52. 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 \$104 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 Type	Cost of Creating PDF	Cost of Online Input	Total Cost
All Public (State and Local) - 2200	\$114,400	\$61,013	\$175,413
All Not-for Profit – 1900	\$98,800	\$88,918	\$177,718
All For Profit (Proprietary) - 2000	\$104,000	\$93,598	\$197,598

Total Cost of Creating PDF: \$315,767

Total Cost on online input: \$243,529

Total Estimated Cost Burden: \$549,729

13. Provide an estimate of the total annual cost burden to respondents or record keepers resulting from the collection of information. (Do not include the cost of any hour burden shown in Items 12 and 14.)
- The cost estimate should be split into two components: (a) a total capital and start-up cost component (annualized over its expected useful life); and (b) a total operation and maintenance and purchase of services component. The estimates should take into account costs associated with generating, maintaining, and disclosing or providing the information. Include descriptions of methods used to estimate major cost factors including system and technology acquisition, expected useful life of capital equipment, the discount rate(s), and the time period over which costs will be incurred. Capital and start-up costs include, among other items, preparations for collecting information such as purchasing computers and software; monitoring, sampling, drilling and testing equipment; and acquiring and maintaining record storage facilities.
 - If cost estimates are expected to vary widely, agencies should present ranges of cost burdens and explain the reasons for the variance. The cost of contracting out information collection services should be a part of this cost burden estimate. In developing cost burden estimates, agencies may consult with a sample of respondents (fewer than 10), utilize the 60-day pre-OMB submission public comment process and use existing economic or regulatory impact analysis associated with the rulemaking containing the information collection, as appropriate.

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- Generally, estimates should not include purchases of equipment or services, or portions thereof, made: (1) prior to October 1, 1995, (2) to achieve regulatory compliance with requirements not associated with the information collection, (3) for reasons other than to provide information or keep records for the government or (4) as part of customary and usual business or private practices. Also, these estimates should not include the hourly costs (i.e., the monetization of the hours) captured above in Item 12

Total Annualized Capital/Startup Cost:

Total Annual Costs (O&M):

Total Annualized Costs Requested:

There are no start-up costs.

14. Provide estimates of annualized cost to the Federal government. Also, provide a description of the method used to estimate cost, which should include quantification of hours, operational expenses (such as equipment, overhead, printing, and support staff), and any other expense that would not have been incurred without this collection of information. Agencies also may aggregate cost estimates from Items 12, 13, and 14 in a single table.

The annualized cost to the Federal government is estimated at \$2.5 million. This estimate includes the number of FTEs assigned with varying grade levels, as well as cost to provide services and operate and maintain the application. Under the paper-based collection method, the cost to the Department is estimated at \$3.6 million annually. This cost included an increased number of of FTEs assigned with varying grade levels as well as cost to provide services and operate and maintain the application. Additional staff would be needed for tracking and processing of paper submissions (mail). The electronic information collection represents a cost savings of approximately \$1 million over a manual collection method.

15. Explain the reasons for any program changes or adjustments. Generally, adjustments in burden result from re-estimating burden and/or from economic phenomenon outside of an agency's control (e.g., correcting a burden estimate or an organic increase in the size of the reporting universe). Program changes result from a deliberate action that materially changes a collection of information and generally are result of new statute or an agency action (e.g., changing a form, revising regulations, redefining the respondent universe, etc.). Burden changes should be disaggregated by type of change (i.e., adjustment, program change due to new statute, and/or program change due to agency discretion), type of collection (new, revision, extension, reinstatement with change, reinstatement without change) and include totals for changes in burden hours, responses and costs (if applicable).

There are no program changes to this collection. There are minor adjustments to the burden as a result of corrections to the estimates for the institution types.

16. For collections of information whose results will be published, outline plans for tabulation and publication. Address any complex analytical techniques that will be used.

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Provide the time schedule for the entire project, including beginning and ending dates of the collection of information, completion of report, publication dates, and other actions.

No tabulation or publication of the results will take place.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

All data collection instruments will include the OMB expiration date.

18. Explain each exception to the certification statement identified in the Certification of Paperwork Reduction Act.

No exceptions are requested.