

INSTRUCTIONS FOR PROGRAM COMPLIANCE AUDITS OF STATE STUDENT FINANCIAL ASSISTANCE PROGRAMS

These instructions provide guidance for preparing program compliance audits of private institutions that administer State Student Financial Assistance Programs. It is the responsibility of the private institution receiving state student financial aid to secure an audit from an independent certified public accountant (CPA) at the institution's expense. This audit is required regardless of the number of students participating or the amount of funding received by the institution. Florida statutes and rules require annual or biennial audits for all state student financial assistance programs. These audit reports shall include an examination of the institution's administration and accounting of the moneys for the program since the last examination. The frequency of audit submission is determined by the amount of funds received and type of financial assistance program. The audit submission table is provided to assist in determining report submission requirements.

AUDIT SUBMISSION TABLE

Funding Type	Report Submission	
Bright Futures Scholarship Program funds (BF)	Annual	Bright Futures Scholarship Program funds are greater than (>) \$100,000.
Bright Futures Scholarship Program funds, all State Programs	Annual	Total State Student Financial Assistance is greater (>) than \$750,000. This is the combined total for all state funding and can include Bright Futures.
Bright Futures Scholarship Program funds (BF)	Biennial	Bright Futures Scholarship Program funds that are less than (<) \$100,000.
State Programs	Biennial	Total Student Financial Assistance is less than (<) \$750,000 and Bright Futures Program funds are less than (<) \$100,000.

All audit reports for the State Student Financial Assistance Programs should be completed and submitted to the Florida Department of Education, Office of Student Financial Assistance, **prior to March 31** following the academic year(s) or fiscal year(s) audited. **Two** copies of the completed audit report and all associated management letters should be sent to the following address:

Florida Department of Education
Office of Student Financial Assistance
325 West Gaines Street, Suite 934
Tallahassee, FL 32399-0400
Attention: Sabrina Norton

Questions regarding the audit process should be directed to Sabrina Norton at (850) 245-9060.

Audit Objectives

The audit should be planned and conducted so that the Certified Public Accountant (CPA) can determine whether:

1. An internal control structure has been established which is sufficient to provide reasonable assurance that state student financial assistance programs were administered in substantial compliance with applicable statutes and rules.
2. Certification of student eligibility, maintenance of supporting documentation, appropriate accounting, and general administration of student financial assistance programs has been performed in substantial compliance with applicable statutes and rules.
3. The institution's record of awards made and awards refunded are in agreement with the Office of Student Financial Assistance record of awards made and refunded.

Audit Approach

The audit of each student financial assistance program should be conducted as a program specific compliance examination of the institution's administration of the program. The specific criteria that are established for each program by statutes and rules should be tested as appropriate regardless of whether the institution's basic financial statements have been audited. These program requirements are shown at www.FloridaStudentFinancialAidsg.org. To view a program fact sheet, select a scholarship or grant program from the list.

The audit should be prepared according to generally accepted auditing standards and the standards applicable to financial related audits contained in the Government Auditing Standards, issued by the Comptroller General of the United States, and these instructions.

Reconciliation Request

To determine if the institution's record of awards made and awards refunded are in agreement with the Office of Student Financial Assistance records of awards made and refunded, the CPA firm engaged to conduct the audit or the financial aid director for the institution should follow instructions on the Reconciliation Report Request Form which can be accessed at <https://www.FloridaStudentFinancialAidsg.org/PDF/PSI/prrrf%20AUDIT.xls>. If the CPA firm will be submitting the request, they will need the auditee's Institution Code as issued by the Office of Student Financial Assistance. The reports will be sent via U.S. mail within 72 hours of the request. Questions regarding reconciliation reports should be directed to Mary Lee Mayo at 850-410-5175.

Sample Selection

Chapter 6A-20.0021, Florida Administrative Code, establishes the sample selection methodology. For each program administered by the institution, the certified public accounting firm shall select a random sample of fifty (50) award recipients, or twenty-five (25) percent of the total number of award recipients, whichever is less, but no fewer than ten (10) award recipients; however, if there are fewer than ten (10) award recipients, then all award recipients shall be selected. This sample selection methodology should also be used for the Florida Bright Futures Scholarship Program.

NOTE: The Florida Bright Futures Scholars Award Program consists of four (4) types of awards: the Florida Academic Scholars award, the Florida Medallion Scholars award, the Florida Gold Seal CAPE Scholars award and the Florida Gold Seal Vocational Scholars award. Each of these awards is considered a separate program for audit purposes. The total number of award recipients for each type of award determines the appropriate number for sampling and reporting purposes.

Instances of Noncompliance, Questioned Costs, and Materiality

All instances of noncompliance are to be reported by the CPA with the various criteria specified in the applicable statutes and rules. The CPA should report all cases of questioned costs **without regard to materiality judgments (e.g., one dollar or more of questioned costs should be reported)**.

Students shall be classified as ineligible if the examination of supporting documentation discloses instances of noncompliance with eligibility criteria specified by applicable statutes and rules. Instances of noncompliance with specific eligibility requirements should result in the classification of the awards as questioned costs.

If documents necessary for the determination of eligibility are missing, the CPA should classify the affected awards as questioned costs. If eligibility can be determined to the CPA's satisfaction, despite missing documents, but by reference to other existing documents, then the missing documents should still be cited as exceptions, but separate from classifying the particular awards as questioned costs.

Awards shall be classified as questioned costs if the examination discloses one or more of the following conditions:

1. Awards or portions thereof not properly paid or delivered to students or not properly credited to students' accounts.
2. Awards made to ineligible students.
3. Awards for which supporting documentation necessary to establish eligibility is missing and cannot be located.

Similarly, if awards should have been partially or fully refunded but were not, then the amounts not refunded should also be classified as questioned costs.

Instances of noncompliance which do not affect student eligibility or cause the classification of awards as questioned costs shall be reported with the auditors' findings, but shall have no impact on determining the amount of refunds or whether to expand a sample as provided in these instructions.

Internal Control

"Florida Single Audit Act reports and related financial information shall include: A report on internal control related to major State projects and on compliance with laws, rules and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on a major State project. This report shall describe the scope of testing of internal control and the results of those tests and shall include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, rules, and the provisions of contracts or grant agreements that could have a direct and material effect on a major State project." (Chapter 10.656(3)(d)(4), Rules of the Auditor General.)

Refunds

For each program with an error rate of less than ten (10) percent of the monetary value of the sample awards, the institution shall refund the specific awards which are classified as questioned costs in the final audit report. **Note: It is important that the final audit report clearly identifies questioned costs, ineligible students, and indicates whether or not the institution has previously refunded these costs to the Department of Education.** When a refund is required, the institution is responsible for submitting the refund check to the Florida Department of Education within thirty (30) calendar days from the date on the audit determination letter sent to the institution by the Office of Student Financial Assistance.

For each program with an error rate equal to or greater than ten (10) percent, the institution shall either:

1. Refund an amount calculated by multiplying the sample error rate times the total awarded amount of the program, or
2. Engage a CPA firm, at the institution's expense, to audit one hundred (100) percent of the awards in the program population and refund the sum of the specific awards classified as questioned costs.

Audit Reports

The audit findings, recommendations, questioned costs, and Statement of Internal Control, as well as the summary of population sample tested and test results obtained, should be presented for each program audited. A schedule that lists the total number of awards made and total number of awards refunded must be presented. The Florida Bright Futures Scholarship Program consists of four (4) types of awards: the Florida Academic Scholarship, the Florida Medallion Scholarship, the Florida Gold Seal CAPE Scholarship and the Florida Gold Seal Vocational Scholarship. Each of these awards is considered a separate program for audit reporting purposes.

Since the purpose of these audits is to obtain reasonable assurance that the educational institution has substantially complied with applicable statutes and rules, the CPA should render an opinion to that effect.

Management's Response

Management of the institution is required to provide a response to the findings of the audit. Such responses should contain statements of concurrence or non-concurrence with the audit findings and descriptions of actions proposed to correct the deficient areas. The CPA should provide management's response with the audit report either as an attachment or as part of the schedule of findings, recommendations, and questioned costs, as appropriate.

Student Identifiers

No identifying names, social security numbers, or student school ID numbers should appear in the audit report or in management's response. However, a separate list of those students who have been classified as ineligible or whose awards have been questioned should be provided with the final audit report.

Program Requirements and Rules

The Office of Student Financial Assistance maintains the current program list of State of Florida Grant, Scholarship and Loan Programs. Please refer to the Office of Student Financial Assistance Web site at www.FloridaStudentFinancialAidsg.org and to the State Board of Education's rules governing financial

aid programs at

<https://www.flrules.org/gateway/RuleNo.asp?title=STUDENTFINANCIALASSISTANCE&ID=6A-20.028>.

Additional resources may be found:

[Released Reports and Rules and Guidelines](#) on the Auditor General's site

[How to Access Audit Reports](#) on Online Sunshine

Frequently Asked Questions

1. **How often are audits required?**

In order to satisfy the requirements under Section 1009.53(5)(c), Florida Statutes, and 6A-20.0021, Florida Administrative Code, an annual audit is required for the Florida Bright Futures Scholarship Program (funds greater than (>) than \$100,000). Audits for other programs are required every two years if total funding received is less (<) than \$750,000; otherwise an annual audit is required.

2. **Where do we obtain the information for the audit?**

To determine if the institution's record of awards made and awards refunded are in agreement with the Office of Student Financial Assistance record of awards made and refunded, the CPA firm engaged to conduct the audit or the financial aid director for the institution should follow instructions on the Reconciliation Report Request Form which can be accessed at <https://www.FloridaStudentFinancialAidsg.org/PDF/PSI/prrrf%20AUDIT.xls>. If the CPA firm will be submitting the request, they will need the auditee's Institution Code as issued by the Office of Student Financial Assistance. The reports will be sent via U.S. mail within 72 hours of the request. Questions regarding reconciliation reports should be directed to Mary Lee Mayo at 850-410-5175.

3. **Is there a minimum amount or minimum number of participants that triggers an audit?**

No. Audits are required whether there is one participant or 300 participants.

4. **Are draft audit reports submitted for review?**

No. The final report is submitted and a desk review of the report is conducted by the Office of Student Financial Assistance to identify any deficiencies.

5. **If the institution chooses, can they continue to have annual audits performed as opposed to biennial audits?**

Yes. They can also combine this program compliance audit for Florida Student Financial Assistance Programs with other audits conducted by the institution.

6. **What happens if an institution does not submit an audit to the Office of Student Financial Assistance by March 31 following the institution's academic or fiscal year?**

The Office of Student Financial Assistance will notify the institution of its noncompliance, and may withhold future program funds if the receiving institution fails to report.

7. **How does the Florida Single Audit Act affect required audits for institutions?**

Institutions subject to the Florida Single Audit Act must also adhere to its requirements. Information on the Florida Single Audit Act may be found at [Section 215.97, Florida Statutes](#).

8. **What happens when an audit report is found noncompliant?**

The Office of Student Financial Assistance will notify the institution in writing of the report deficiency and require that revisions to the report be submitted within thirty (30) calendar days or by March 31, whichever is later. To correct any deficiency, the CPA may need to prepare a revised report and submit the revised pages to the Office of Student Financial Assistance. If a response is not received within this time frame, the Office of Student Financial Assistance may withhold future program funds based on the institution's noncompliance.

9. **What if an institution has one federal identification number (FEID) with three locations, all assigned different institution codes. Should a separate audit be completed for each location?**

Yes, each institution code is considered a separate reporting entity.

10. **Are sample tests required for all state student financial assistance funding?**

Yes, a sample test is required for each funding type.

Relevant Publications

The following professional literature may be useful to the CPA performing audits of such programs:

Audits of State and Local Governmental Units
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775
<http://www.aicpa.org/>

Government Auditing Standards - Standards for Audit of Governmental Organizations,
Programs, Activities, and Functions
Superintendent of Documents
U.S. Government Printing Office
Washington, DC 20401
<http://www.gao.gov/>