

FOREIGN SCHOOL PARTICIPANT RESPONSIBILITIES

MAY 2010

General

Foreign schools approved to participate in the Federal Family Education Loan (FFEL) Program or the William D. Ford Federal Direct Loan (Direct Loan) Program enter into a binding legal agreement and fiduciary relationship with the U.S. Department of Education (the Department), and therefore must:

- Ensure that United States (U.S.) students applying for loans under the FFEL or Direct Loan program meet all eligibility requirements;
- Agree to fulfill administrative and fiduciary duties;
- Follow all U.S. regulations covering federal student aid programs;
- Submit required documents timely; and
- Repay loan funds if a student withdraws before finishing the program of study, and reimburse the Department for subsidy costs incurred if the school erred in approving award of the loan.

Annual Reporting Requirements

To participate in the Department's federal student aid programs, under current regulations, which are undergoing review and will change within the next two years, foreign schools must submit a financial audit and a compliance engagement annually. Depending upon the amount of loan funds that a foreign school certifies for its students' attendance during the fiscal year, the federal regulations prescribe how financial statements are to be presented for foreign schools.

Audited Financial Statements** allow the Department to assess the financial condition of the foreign school. There are two categories of such statements:

- **Federal Loans disbursed for less than \$500,000**

For a foreign school seeking initial participation, submit audited financial statements prepared in accordance with the accounting standards of the country in which the foreign school is located. Annual financial statements otherwise are not required, except as requested by the Department.

- **Federal Loans disbursed for \$500,000 or more**

Submit financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and U.S. Government Auditing Standards (GAS).

Compliance Audits** allow the Department to evaluate the foreign school's compliance with program requirements. There are two categories of such audits:

- **Federal Loans disbursed for less than \$500,000**

Submit alternative compliance engagement.

- **Federal Loans disbursed for \$500,000 or more**

Submit standard compliance engagement.

**These reports are submitted together and in accordance with the *U.S. Foreign School Audit Guide* available at <http://www2.ed.gov/about/offices/list/oig/nonfed/sfa.html>. The documentation is currently item 13 under "Section B. School/School Servicer Audits."