

Dear Subscriber:

Enclosed is your 1995 edition of the Integrated Practice System *Credit Union Audit Manual*. This Manual is designed as a complete tool for performing and reporting on credit union audits.

This latest edition includes a new Appendix on performing and reporting on compliance audits of lenders who participate in the Federal Family Education Loan Program. The deadline for these audits was recently deferred for certain lenders from September 30, 1995 to June 30, 1996. A copy of the U.S. Department of Education's announcement of this deferment is attached.

To ensure that the quality control materials in this Manual are reliable practice aids that comply with professional standards and to help minimize the cost of your peer review, this Manual has been peer reviewed by the CPA firm, Baird, Kurtz & Dobson. Included in the Manual is a copy of their unqualified opinion.

Also included with this Manual is a WordPerfect diskette that includes all the letters and sample auditor's reports from the Manual. Attached is a detailed listing of the items included on the diskette. These items are identified in the Manual by the following icon:



And, the programs and checklists included in this Manual are available for use with the AICPA's Audit Program Generator (APG) software, which allows you to easily customize audit programs and checklists to each engagement. To obtain more information about APG, call the AICPA Software Connection at (800) 226-5800. If you currently use APG and would like to order the library volume for this Manual, call the AICPA Order Department at (800) 862-4272 and ask for product 016995. The programs and checklists included in the APG library volume are identified in your Manual by the following icon:



We will continue to monitor and enhance the *Credit Union Audit Manual* and, in an effort to give you the latest guidance, **we will ship the next update to you automatically.**

As we have mentioned in our advertising, if you are not fully satisfied with your Manual, just return it to us within 60 days for a full refund.

Sincerely,



Susan L. Menelaides, CPA
Director, Technical Information Division

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UNITED STATES DEPARTMENT OF EDUCATION

WASHINGTON, D.C. 20202-_____

SEP 14 1995

Dear Colleague:

Section 428(b)(1)(U)(iii) of the Higher Education Act of 1965, as amended (HEA) requires all lenders participating in the Federal Family Education Loan (FFEL) Program to have an annual compliance audit. See 34 C.F.R. §682.305(c). In transmitting the Audit Guide for these audits, the Department provided that the deadline for completion and, if necessary, submission of the initial audit completed in accordance with this requirement would be September 30, 1995. See Dear Colleague Letter 95-L-176 (March 1995). This deadline was chosen to be consistent with the regulatory requirements for submittal.

The Department has been contacted by a number of lenders with small FFEL portfolios who have complained that the cost of conducting the audit will make it cost prohibitive for them to remain in the program. In addition, the House of Representatives has approved an amendment to the Department's appropriations bill that would prohibit the Department from enforcing the audit requirement during Federal Fiscal Year 1996 against lenders with loan portfolios under \$5 million.

In light of the concerns expressed by the small lenders and the possible action by Congress, the Department has decided to postpone the deadline for completion of the audit to June 30, 1996 for any audit period in which the lender originated and/or held FFEL Program loans totalling \$5 million or less. All other lenders must comply with the requirements as outlined in Dear Colleague Letter 95-L-176:

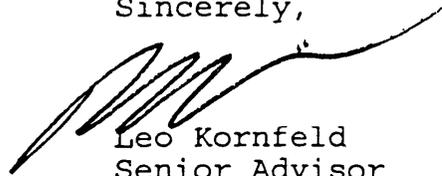
- lenders who originated and/or held FFEL Program loans totalling \$10 million or more for any audit period and other lenders whose audit report discloses findings of noncompliance must submit a complete independent audit by September 30;

- lenders who originated and/or held FFEL Program loans totalling more than \$5 million but less than \$10 million for any audit period must have a completed audit report by September 30, but need not submit the audit to the Department unless requested to do so. These lenders must maintain the audits for three years.

The Department appreciates the concerns raised by small lenders regarding the cost and burden of the audit requirement. This delay in the deadline for completion of the audit by these lenders will give the Department the opportunity to confer with Congress on this issue and will give Congress the opportunity to consider modifying the audit requirements for these lenders.

Any questions regarding the audit requirement and the Audit Guide should be directed to the cognizant Regional Inspector General office listed in Appendix A to the Audit Guide.

Sincerely,

A handwritten signature in black ink, appearing to be 'L. Kornfeld', written in a cursive style with a long horizontal flourish extending to the right.

Leo Kornfeld
Senior Advisor
to the Secretary