



## Independent Accountant's Report on Management's Assertions on Compliance With Specified Requirements Applicable to the Federal Student Financial Assistance Programs

To the Board of Directors  
National Student Clearinghouse  
Herndon, Virginia

We have examined management's assertions, listed below, that National Student Clearinghouse and Affiliate (the Clearinghouse) complied with specified compliance requirements regarding Reporting (Student Status Confirmation Reports), Servicer Eligibility and Servicer's Systems and Internal Control listed in Sections II and IV of the U S Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended June 30, 2014. Management is responsible for the Clearinghouse's compliance with those requirements. Our responsibility is to express an opinion on management's assertions regarding the Clearinghouse's compliance based on our examination.

Our examination was conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States, attestation standards established by the American Institute of Certified Public Accountants; and the Audit Guide, *Audits of the Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers* January 2000 Revision (the SFA Guide), issued by the U.S. Department of Education (ED), Office of the Inspector General, and accordingly, included examining, on a test basis, evidence about the Clearinghouse's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Clearinghouse's compliance with specified requirements.

Management provided us with the following assertions:

- The Clearinghouse materially complied with the Reporting requirements (Student Status Confirmation Reports), listed in Section II of ED SFA Guide as applicable to their customers.
- Certain SSCR error reports were not submitted timely during the year.
- The Clearinghouse complied with Third-Party Eligibility compliance requirements listed in Section IV of the ED SFA Guide.
- The Clearinghouse has established systems with internal control which assured compliance with requirements listed in Section II of the ED SFA Guide for those services which it provided.

In our opinion management's assertions that the Clearinghouse complied with the aforementioned requirements for the year ended June 30, 2014, are fairly stated, in all material respects.

In accordance with *Government Auditing Standards*, we are required to report significant deficiencies in internal control, identifying those considered to be material weaknesses, violations of provisions of contracts or grant agreements, and abuse that could have a material effect on the Clearinghouse's compliance with the specified requirements listed above in Section II of the *ED SFA Guide* and any fraud and illegal acts that are more than inconsequential that come to our attention during our examination. We are also required to obtain the views of management on those matters. We performed our examination to express an opinion on whether management's assertions referred to above are fairly stated, in all material respects, and not for the purpose of expressing an opinion on internal control over the compliance requirements referred to above or on other compliance and other matters; accordingly, we express no such opinions. During our examination, management disclosed a certain finding that is required to be reported under *Government Auditing Standards* and that finding, along with the views of management are described in the attached Schedule of Findings and Responses.

This report is intended solely for the information and use of the Board of Directors, management, the U.S. Department of Education, service users of the Clearinghouse, and their auditors, and is not intended to be and should not be used by anyone other than these specified parties.

*McGladrey LLP*

McLean, Virginia  
October 7, 2014

# NATIONAL STUDENT CLEARINGHOUSE®

2300 Dulles Station Boulevard, Suite 300, Herndon, Virginia 20171 ~ 703-742-4200 ~ [www.studentclearinghouse.org](http://www.studentclearinghouse.org)

October 7, 2014

U.S. Department of Education  
Case Management & Oversight Data Management & Analysis Division  
Document Receipt & Control Center  
830 First Street, NE Room 7111  
Washington, DC 20002-5402

We are providing you with the following assertions relating to our compliance with the specified compliance requirements regarding Reporting, Perkins Loan and Servicer Eligibility listed in the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, relative to participation in the Federal Student Financial Assistance Programs during the year ended June 30, 2014. The National Student Clearinghouse is required to comply with the requirements that govern student financial assistance programs and that relate to the compliance categories denoted as "Responsibility of the National Student Clearinghouse" in the below assertions.

The following assertions are made to you in order to comply with the reporting requirements of U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers*, issued by the U.S. Department of Education, Office of Inspector General, January 2000 Revision (the ED SFA Guide). These assertions are based on regulations of the programs which are contained in 34 CFR 668 and 674 as referenced within the ED SFA Guide.

1. It was the responsibility of our institutional clients to comply with the Institutional Eligibility and Participation compliance requirements listed in Section II of the ED SFA Guide, as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
2. We materially complied with the reporting requirements over Student Status Confirmation Reports (SSCR) listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. It was the responsibility of our institutional clients to ensure that the information given to us for reporting was reliable as of June 30, 2014, and for the year then ended. It was our responsibility to ensure that SSCR information received remained reliable and was presented in accordance with the terms of applicable agreements, with which we complied.
3. We did not meet the requirements of submitting SSCR error reports timely during the year ended June 30, 2014. Submissions for certain months were not accepted timely.
4. It was the responsibility of our institutional clients to comply with the Student Eligibility compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional client to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
5. It was the responsibility of our institutional clients to comply with the disbursements compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
6. It was the responsibility of our institutional clients to comply with the refund compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.

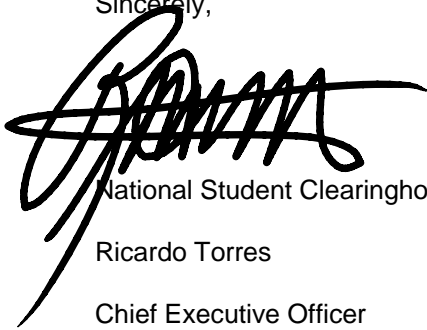
7. It was the responsibility of our institutional clients to comply with the Grant Administration and Payment System (GAPS) and Cash Management compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
8. It was the responsibility of our institutional clients to comply with the Perkins Collections Due Diligence, NSLDS, and, if applicable, Default Management and/or Liquidation compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
9. It was the responsibility of our institutional clients to comply with the closeout compliance requirements listed in Section II of the ED SFA Guide as of June 30, 2014, and for the year then ended. As such, it was the responsibility of our institutional clients to maintain effective internal control over compliance with those ED SFA Guide requirements listed in Section II.
10. We complied with the third-party eligibility compliance requirements listed in Section IV of the ED SFA Guide. In so complying, we assert that, under the proceedings of 34 CFR 668 Subpart G:
  - a. We have not been limited, suspended, or terminated by the Secretary as of June 30, 2014, or within the preceding five years.
  - b. We have not, during the two most recent audits, had a finding that resulted in the Clearinghouse being required to repay an amount greater than five percent of the funds that Clearinghouse administered under Title IV programs, for any award year.
  - c. We have not been cited as of June 30, 2014, or during the preceding five years for failure to submit required audit reports in a timely fashion.
  - d. We have not been subject to a termination action and neither we, nor one or more persons or entities that exercise substantial control over the Clearinghouse, nor both:
    - i. Failed to submit financial guarantees in an amount determined to be sufficient to satisfy potential liabilities arising from Clearinghouse's administration of Title IV, Higher Education Act of 1965 (HEA) programs, and
    - ii. Failed to agree to be jointly and severally liable for any liabilities arising from the Clearinghouse's administration of the Title IV, HEA programs and civil and criminal monetary penalties authorized under Title IV of the HEA.
11. In contracts with our institutional clients, we have agreed:
  - a. To comply with all statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV, HEA programs.
  - b. To refer to the ED Office of Inspector General for Investigations any information indicating there is reasonable cause to believe either of the following:
    - i. Our institutional clients might have engaged in fraud or other criminal misconduct in connection with the institution's administration of any Title IV, HEA program.
    - ii. An applicant for Title IV, H EA program assistance might have been engaged in fraud or other criminal misconduct in connection with his or her application.
  - c. To be jointly and severally liable with our institutional clients for any violation by the Clearinghouse of any statutory or regulatory provisions, and special arrangements, agreements, limitations, suspensions, and terminations entered into under Title IV, HEA programs.
12. There were no terminated contracts with institutional clients, for which the Clearinghouse was required to return to the institutional clients all records in the Clearinghouse's possession pertaining to the institution's participation in the program or programs for which services are no longer provided.
13. The Clearinghouse has established systems with internal controls that ensured compliance with requirements listed in Section II of the ED SFA Guide for those services, which it provided as of June 30, 2014, and for the year then ended. Clearinghouse management is responsible for the effectiveness of the Clearinghouse's internal control structure and for evaluating its effectiveness

using reasonable criteria, such as those established by Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

14. For those guarantors who have entered into the Clearinghouse's process known as Total Enrollment Reporting process (TERP):
  - a. It is the responsibility of the guaranty agency to provide the Clearinghouse with all enrollment information that it receives.
  - b. We complied with the guarantor's requirements to submit changes in enrollment status to lenders, as described in 34 CFR 682.401(b)(20), for the year ended June 30, 2014.

To the best of our knowledge and belief, the foregoing assertions are true and accurate. Management of the National Student Clearinghouse recognizes that it is responsible for compliance with the aforementioned requirements.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ricardo Torres', is written over the printed name and title. The signature is stylized and cursive.

National Student Clearinghouse

Ricardo Torres

Chief Executive Officer

## National Student Clearinghouse And Affiliate

### Schedule of Findings and Responses Year Ended June 30, 2014

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Finding 2014-001: Student Status Confirmation Reports (SSCR)

*Summary of Finding:* For three months of the fiscal year ended June 30, 2014, *the National Student Loan Data System* (NSLDS) did not accept the error files submitted by the Clearinghouse.

*Effect:* Failure to comply with the requirement to have error response files filed and accepted within the 10-day time frame.

*Cause:* NSLDS's contractor informed the Clearinghouse that the file receipt process had changed.

*Recommendation:* Implement additional internal controls to ensure the timely receipt, processing, and tracking of SSCR error files, error file responses, and file receipt acknowledgements for data submitted to NSLDS by the Clearinghouse. Work with the NSLDS contractor to implement a process so they will notify the Clearinghouse in the event they encounter an issue with a file the Clearinghouse submits.

*Management's response:* Management has implemented additional internal controls to ensure the timely receipt, processing, and tracking of SSCR error files, error file responses, and file receipt acknowledgements for data submitted to NSLDS. The Clearinghouse is also in ongoing discussions with the NSLDS contractor to implement a process wherein they will notify us in the event they encounter an issue with a file we submit. We have notified all affected schools to inform them of the above finding.

**National Student Clearinghouse And Affiliate**

**Summary Schedule of Prior Findings and Responses  
Year Ended June 30, 2014**

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Prior examination did not report any compliance findings.