National State
Auditors Association
*An Affiliate of NASACT*

**Headquarters Office**
449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590
P (859) 276-1147, F (859) 278-0507
**www.nasact.org**

**Washington Office**
The Hall of the States
444 N. Capitol Street, NW, Suite 422
Washington, DC 20001
P (202) 624-5451, F (202) 624-5473

NSAA

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Docket ID: ED-2023-OPE-0089

To whom it may concern:

On behalf of the National State Auditors Association, I am writing to express our concerns about the notice of proposed rulemaking classified as Docket ID ED-2023-OPE-0089. These concerns relate to the proposed change in related party disclosure and our experience working with Education on the annual OMB Compliance Supplement.

*Related Party Disclosures*

We appreciate the statutory requirements and the reasoning behind U.S. Department of Education's (Education) desire for more information on the related parties of Institutes of Higher Education (IHE) participating in Title IV programs. However, we want to make clear that materiality is a necessary concept in professional accounting and auditing standards that is essential to efficiently completing audits. We ask that Education consider incorporating materiality into the proposal.

This request is driven by concern over past efforts from Education to request, via the Compliance Supplement guide for the Student Financial Assistance cluster, a disclosure in the financial statements that related party transactions ***do not*** exist. Stating related parties do not exist is not a required disclosure in generally accepted accounting principles and goes beyond the level of assurance provided by financial and single audits.

Finally, our understanding is that these additional related party disclosures are driven by the risks present in potentially unscrupulous IHEs or those prone to close without notice due to financial or legal challenges. Our members audit public IHEs with established control structures and additional oversight from state legislatures and therefore pose less risk to Education. We ask that Education consider the risk profile of different classes of IHEs in this proposal as well as future requests.

Respectfully,

April Renfro
NSAA President