



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS STUDENT ASSISTANCE COMMISSION**

**Financial Audit  
 For the Year Ended June 30, 2020**

**Release Date: June 16, 2021**

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2009			20-01
Category 2:	1	0	1				
Category 3:	0	1	1				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

**INTRODUCTION**

This digest covers the Illinois Student Assistance Commission’s (Commission) financial audit for the year ended June 30, 2020. Included in the financial statements of the Commission are the Illinois Prepaid Tuition Program (Program), a major fund of the Commission and the State of Illinois and the Illinois Designated Account Purchase Program (IDAPP), a major fund of the Commission. A separate digest covering the Commission’s Compliance Examination for the year ended June 30, 2020 will be released under a separate cover.

**SYNOPSIS**

- (20-01) The Commission - IDAPP was not in compliance with one of the covenants relating to the Commission’s revolving line of credit agreement.
- (20-02) The Commission did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits plans was complete and accurate.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2020**

<b>STATEMENT OF NET POSITION (amounts in thousands)</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Unexpended appropriations.....	\$ 36,057	\$ 26,554
Cash and cash equivalents.....	130,690	128,781
Investments.....	588,259	716,269
Receivables.....	272,929	319,234
Securities lending collateral .....	33,526	27,544
Capital assets, net.....	9,708	10,629
Due from other State funds and component units.....	2,588	2,270
Total.....	1,073,757	1,231,281
<b>Deferred Outflows of Resources</b>		
Pension related amounts.....	45,143	44,885
OPEB related amounts.....	42,641	27,533
Total.....	87,784	72,418
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	10,288	21,943
Due to other State funds and component units.....	40,562	16,488
Securities lending collateral obligation.....	33,526	27,544
Line of credit.....	78,157	93,357
Revenue bonds payable.....	115,253	137,620
Tuition obligation.....	908,102	1,018,997
Net pension and OPEB liability.....	176,575	176,610
Other.....	2,124	4,945
Total.....	1,364,587	1,497,504
<b>Deferred Inflows of Resources</b>		
Unamortized deferred amount on refunding.....	24,929	28,972
Pension related amounts.....	45,386	38,245
OPEB related amounts.....	40,932	33,595
Total.....	111,247	100,812
<b>Net position</b>		
Net investment in capital assets.....	9,708	10,629
Restricted.....	80,833	74,791
Unrestricted.....	(404,834)	(380,037)
Total.....	\$ (314,293)	\$ (294,617)
<b>STATEMENT OF ACTIVITIES (amounts in thousands)</b>	<b>2020</b>	<b>2019</b>
<b>Expenses</b>		
Scholarships, awards and grants.....	\$ 523,696	\$ 454,094
Student loan purchase program.....	8,256	10,720
Prepaid tuition.....	36,863	47,675
Loan guarantee program.....	77,368	101,139
Total.....	646,183	613,628
<b>Program revenues</b>		
Charges for services.....	32,184	35,263
Operating grants and contributions.....	89,959	128,159
Total.....	122,143	163,422
Net program revenues.....	(524,040)	(450,206)
<b>General revenues</b>		
Appropriations from State resources.....	504,691	439,756
Other.....	(327)	2,731
Total.....	504,364	442,487
<b>Change in net position.....</b>	<b>\$ (19,676)</b>	<b>\$ (7,719)</b>
<b>AGENCY EXECUTIVE DIRECTOR</b>		
<b>During Audit Period:</b> Mr. Eric Zarnikow		
<b>Currently:</b> Mr. Eric Zarnikow		

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**DEBT COVENANT VIOLATION**

**Noncompliance with debt covenants**

The Commission - IDAPP was not in compliance with a covenant relating to the agency's revolving line of credit agreement.

**Default ratios were not maintained**

During our audit of the fiscal year 2020 financial statements, we noted that IDAPP was in violation of a debt covenant related to the agency's revolving credit (loan) agreement. In addition, the Facility matured on July 27, 2010 and has not been repaid. Per the agreement, the default ratio is set at a maximum three-month rolling average of 5.0% or a maximum of 6.25% for any settlement period. We reviewed monthly reports and noted 3 months fell above these ratios, ranging from 5.36% to 5.78% for the three-month average and 6.34% to 10.24% for the settlement period.

**Lender has right to call loan but has not communicated any intent to exercise available remedies**

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was \$78,156,827 at June 30, 2020. (Finding 1, page 150) **This finding was first reported in 2009.**

We recommended the IDAPP continue to monitor the loan covenant violations and continue seeking remedies from the lender involved.

**Commission agreed with auditors**

Commission officials accepted our recommendation and stated the loan covenants are reviewed monthly and the Commission continues to talk to the bank about the portfolio.

**LACK OF CENSUS DATA RECONCILIATIONS**

**Commission had not performed an initial or established an ongoing reconciliation of its census data**

The Commission did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans that was complete and accurate.

During testing, we noted the Commission had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the State of Illinois, Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data. (Finding 2, page 151-152)

We recommended the Commission work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary. After completing an initial full reconciliation, the Commission may limit the annual reconciliation to focus on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

**Commission agreed with auditors**

Commission officials accepted our recommendation and stated the Commission will work with SERS and CMS to develop a reconciliation process.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Commission as of and for the year ended June 30, 2020, are fairly stated in all material respects.

This financial audit was conducted by Crowe LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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