



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STUDENT ASSISTANCE COMMISSION

**STATE COMPLIANCE EXAMINATION:
For the Two Years Ended: June 30, 2010**

Release Date: June 9, 2011

Summary of Findings this Audit Cycle:

• Compliance Examination	6
• Financial Audit (previously reported 4-7-11)	<u>6</u>
TOTAL findings:	12
Summary of findings from previous financial and compliance audit cycle:	8
Repeated from last audit:	3

INTRODUCTION

The Financial Statement Audit Report for the year ended June 30, 2010 was previously released on April 7, 2011. That audit contained six (6) findings. This report addresses State compliance findings pertaining to the State Compliance Examination Report. In total, this report contains twelve (12) findings, six (6) of which were also reported in the Financial Audit Report.

SYNOPSIS

- The Illinois Student Assistance Commission did not include the required explanations on all contract late filing affidavits for contracts filed late with the Illinois Office of the Comptroller.
- The Illinois Student Assistance Commission has not established a program of college savings instruments for Illinois citizens.
- The Illinois Student Assistance Commission did not expend appropriated funds in accordance with the purpose for which the funds were appropriated by the State.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS STUDENT ASSISTANCE COMMISSION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2010**

EXPENDITURE STATISTICS	2010	2009	2008
Total Expenditures.....	\$ 865,333,400	\$ 769,533,145	\$ 845,182,156
OPERATIONS TOTAL.....	\$ 199,957,151	\$ 118,646,314	\$ 194,076,429
% of Total Expenditures.....	23.1%	15.4%	23.0%
Personal Services.....	13,353,951	14,916,843	14,298,951
Other Payroll Costs (FICA, Retirement).....	8,200,163	8,054,188	7,155,909
Contractual Services.....	7,390,391	9,481,489	8,359,818
Prepaid Tuition.....	158,212,230	73,043,678	135,497,049
Designated Account Purchase Program.....	7,123,111	6,105,057	9,794,035
All Other Operating Expenditures.....	5,677,305	7,045,059	18,970,667
AWARDS AND GRANTS.....	\$ 665,376,249	\$ 650,886,831	\$ 651,105,727
% of Total Expenditures.....	76.9%	84.6%	77.0%
Total Receipts.....	\$ 387,000,000	\$ 388,883,000	\$ 435,855,000
Average Number of Employees.....	361	399	447

SELECTED ACTIVITY MEASURES	2010	2009	2008
Net Cost of Property and Equipment (in millions)	\$ 12.72	\$ 13.22	\$ 13.61
Expenditure of Federal Awards (in millions)	\$ 246.32	\$ 251.38	\$ 227.18
Number of Students Receiving MAP Awards *	141,380	144,230	145,543
MAP Award Grant Dollars (in millions) *	\$ 390.47	\$ 383.89	\$ 380.66
Number of Loans Guaranteed *	81,621	107,230	198,227
Dollar Value of Loan Guarantees (in millions) *	\$ 352.60	\$ 528.80	\$ 1,131.50
College Illinois! Contracts Purchased *	2,166	3,669	4,386
Cumulative College Illinois! Contracts Purchased *	68,361	66,195	57,705
Annual Contract Sales (in millions) *	\$ 82	\$ 129	\$ 144
* Unaudited			

AGENCY DIRECTOR
During Examination Period: Mr. Andrew Davis
Currently: Mr. Andrew Davis

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INCOMPLETE CONTRACT AFFIDAVITS AND LATE FILINGS

The Illinois Student Assistance Commission (Commission) did not include the required explanations on all affidavits for contracts filed late with the Illinois Office of the Comptroller.

Some contracts were filed late

Required explanation not provided on late affidavit

Incomplete affidavits

During our examination of contracts paid from non-appropriated funds, we noted that 3 of 20 (15%) contracts were submitted to the Office of the State Comptroller late. Further, although the late Filing Affidavits were submitted to the Office of the State Comptroller, they did not contain an explanation as to why the contract was not filed timely. These contracts totaled \$410,000 and were filed between 25 to 58 days late.

According to Commission management, the late filings were due to human error. (Finding #7, page 25)

We recommended the Commission comply with Statewide Accounting Management System (SAMS) requirements and file all executed contracts within the required timeframe. In those situations when a contract cannot be filed timely, we recommended the Commission include a properly completed Late Filing Affidavit.

Commission agrees with auditors

Commission officials accepted our recommendation and indicated they would comply with SAMS requirements.

FAILURE TO ESTABLISH COLLEGE SAVINGS PROGRAM

The Illinois Student Assistance Commission (Commission) has not established a program of college savings instruments for Illinois citizens.

During our examination, we noted the Commission has not implemented a college savings program for Illinois citizens in accordance with the Higher Education Student Assistance Act (Act) (110 ILCS 947/75)

effective August 13, 1989.

The Act states, “The Commission is authorized to develop and provide a program of college savings instruments to Illinois citizens.” The Act further states, “The Commission shall market and promote the College Savings Program to the citizens of Illinois.”

Legislation to repeal did not pass

According to Commission officials, a college savings program known as the ICAN program was established by the Commission, in accordance with the Act. However, the program was discontinued in 2002 due to lack of activity. Commission officials stated that they submitted a proposal to the General Assembly to repeal 110 ILCS 947/75, which was introduced as Amendment NO. 1 to House Bill HB 2185 on April 18, 2007. The bill failed to pass. Commission officials indicated that they were exploring the possibility of establishing a new College Savings program. (Finding #11, page 30)

Commission exploring possibility of establishing a new college savings program

We recommend the Commission establish a college saving program in accordance with the Act or continue to seek legislation to remedy the statutory requirements.

Commission agrees with auditors

Commission officials stated they will review the matter and will request a repeal of the Act if appropriate.

NEED TO COMPLY WITH APPROPRIATION AUTHORIZATION

Expenditures not in accordance with appropriation

The Illinois Student Assistance Commission (ISAC) did not expend appropriated funds in accordance with the purpose for which the funds were authorized.

During our compliance examination, we noted that ISAC was appropriated \$3,500,000 to the Student Loan Operating Fund (SLOF) in both fiscal years 2009 and 2010 for costs associated with the development and maintenance of ISAC’s federal loan system (Odyssey). In reviewing the expenditures in the SLOF, we noted that in fiscal year 2010 a total of \$18,000 was expended on awards and grants to students. In fiscal year 2009 a total of \$756,000 was loaned to the Illinois Designated Account Purchase Program (IDAPP) for operational purposes.

According to Commission management, there was a discrepancy in the language between the Comptroller’s

appropriation report and the language in the Public Act itself. As a result certain payments were processed from the incorrect line. (Finding #12, page 31)

We recommended that the Commission comply with requirements for the use of public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.

Commission agrees with auditors

Commission officials accepted our recommendation and indicated they would comply with requirements for the use of public funds of the State.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the University. We will review the University's progress towards the implementation of our recommendations in our next audit.

AUDITORS' OPINION

The auditors conducted a State compliance examination of the Commission for the two years ended June 30, 2010. A financial audit covering the year ended June 30, 2010 was issued separately.



WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED

Our special assistant auditors for this State compliance examination were McGladrey & Pullen LLP.