

**State of Illinois
Illinois Student Assistance Commission**

**Compliance Examination
For The Year Ended June 30, 2010**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**State of Illinois
 Illinois Student Assistance Commission
 Compliance Examination
 For the Year Ended June 30, 2010**

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**State of Illinois
Illinois Student Assistance Commission**

Agency Officials

| | |
|--|-----------------|
| Executive Director | Andrew Davis |
| Chief Financial Officer | John Sinsheimer |
| Interim Chief Financial Officer (10/16/2009 to Current) | Shoba Nandhan |
| General Counsel | Kim Barker Lee |

Agency offices are located at:

1755 Lake Cook Road
Deerfield, IL 60015

500 West Monroe
Springfield, IL 62704

100 West Randolph
Suite 3-200
Chicago, IL 60601



Illinois
Student
Assistance
Commission

May 23, 2011

McGladrey & Pullen, LLP
20 North Martingale Road, Ste 500
Schaumburg, IL. 60173

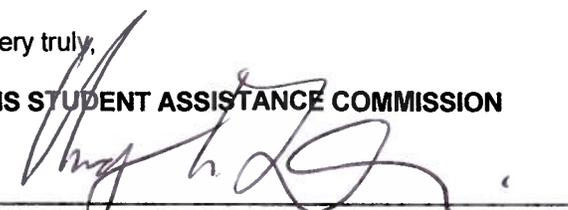
Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended June 30, 2010. Based on this evaluation, except as disclosed to the auditors during this engagement, we assert that during the years ended June 30, 2009 and June 30, 2010, the Commission has materially complied with the assertions below.

- A. The Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

ILLINOIS STUDENT ASSISTANCE COMMISSION



Andrew Davis, Executive Director



Shoba Nandhan, Chief Financial Officer

**State of Illinois
Illinois Student Assistance Commission**

Compliance Report Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountants' Reports

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

| Number of: | Current Report | Prior Report |
|---|-------------------|-----------------|
| Findings | 12 | 8 |
| Repeated findings | 3 | 1 |
| Prior recommendations implemented or not repeated | 5 | 8 |

Details of findings are presented in the separately tabbed report section of this report.

Schedule of Findings

| Item No. | Page | Description | Finding Type |
|----------|------|--|--|
| | | FINDINGS (GOVERNMENT AUDITING STANDARDS) | |
| 10-1 | 11 | Procurement Law and Sound Business Practices Not Followed | Material Weakness and Noncompliance |
| 10-2 | 16 | Financial Reporting Process | Significant Deficiency |
| 10-3 | 18 | Student Loan Payments Not Processed Correctly | Significant Deficiency |
| 10-4 | 20 | Noncompliance with Investment Policy | Significant Deficiency and Noncompliance |
| 10-5 | 22 | Noncompliance with Write-Off Policy | Significant Deficiency and Noncompliance |
| 10-6 | 23 | Debt Covenant Violation | Noncompliance |
| | | FINDINGS (STATE COMPLIANCE) | |
| 10-7 | 25 | Late Filing Affidavits Incomplete | Significant Deficiency and Noncompliance |
| 10-8 | 26 | Contract Creation and Execution | Significant Deficiency and Noncompliance |
| 10-9 | 27 | Missing and Untimely Employee Performance Evaluations | Significant Deficiency and Noncompliance |
| 10-10 | 28 | Incomplete and Inaccurate Information on Agency Workforce Report | Significant Deficiency and Noncompliance |
| 10-11 | 30 | Failure to Establish College Savings Program | Significant Deficiency and Noncompliance |
| 10-12 | 31 | Use of Appropriated Funds | Significant Deficiency and Noncompliance |

**State of Illinois
Illinois Student Assistance Commission**

Compliance Report Summary

Schedule of Findings (Continued)

In addition, the following findings which are reported as current findings relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

| Item No. | Page | Description | Finding Type |
|----------|------|---|--|
| | | FINDINGS (GOVERNMENT AUDITING STANDARDS) | |
| 10-1 | 11 | Procurement Law and Sound Business Practices Not Followed | Material Weakness and Material Noncompliance |
| 10-2 | 16 | Financial Reporting Process | Significant Deficiency and Noncompliance |
| 10-3 | 18 | Student Loan Payments Not Processed Correctly | Significant Deficiency and Noncompliance |
| 10-4 | 20 | Noncompliance with Investment Policy | Significant Deficiency and Noncompliance |
| 10-5 | 22 | Noncompliance with Write-Off Policy | Significant Deficiency and Noncompliance |
| 10-6 | 23 | Debt Covenant Violation | Noncompliance |
| | | PRIOR FINDINGS NOT REPEATED | |
| A. | 32 | Unapplied Cash | |
| B. | 32 | Securities Lending Program Not Properly Accounted For | |
| C. | 32 | Draft Financial Statements Not Accurate | |
| D. | 32 | Investment Policies Not Followed | |
| E. | 33 | Documentation of Journal Entry Approval is Lacking | |

Exit Conference

The *Government Auditing Standards* findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on March 8, 2011. Attending were:

Illinois Student Assistance Commission

| | |
|-----------------|--|
| Andrew Davis | Executive Director |
| Shoba Nandhan | Chief Financial Officer |
| Karen Salas | Interim General Counsel |
| Anita Geter | Director-Internal Audit |
| Brian Begrowicz | Deputy Chief Financial Officer |
| Frank Berauer | Director, Accounting and Finance-IDAPP |
| Anne Hunter | Assistant Comptroller |

McGladrey & Pullen, LLP

| | |
|-----------------|----------|
| Linda Abernethy | Partner |
| Rolake Adedara | Director |

Office of the Auditor General

| | |
|---------|---------------|
| Jon Fox | Audit Manager |
|---------|---------------|

**State of Illinois
Illinois Student Assistance Commission**

Compliance Report Summary

Exit Conference (Continued)

The responses to the *Government Auditing Standards* recommendations were provided by Shoba Nandhan in a letter dated March 11, 2011.

The Agency waived an exit conference on April 28, 2011, to discuss the compliance findings and recommendations. The responses to the compliance recommendations were provided by Shoba Nandhan in a letter dated May 18, 2011.



Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Mr. Donald J. McNeil
Honorable Chairman of the Governing Board
Illinois Student Assistance Commission

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Illinois Student Assistance Commission's compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the two years ended June 30, 2010. The management of the State of Illinois, Illinois Student Assistance Commission (Commission) is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report 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 Commission's compliance with specified requirements.

As described in finding 10-1 in the accompanying schedule of findings, the Commission did not comply with requirements regarding compliance requirements B, C, and E. Compliance with such requirements is necessary, in our opinion, for the Commission to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the noncompliance described in the preceding paragraph, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the two years ended June 30, 2010. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 10-2 through 10-12.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency* in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings as item 10-1 to be a material weakness.

A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 10-2, 10-3, 10-4, 10-5, 10-7, 10-8, 10-9, 10-10, 10-11 and 10-12 to be significant deficiencies.

Additionally, the results of our procedures disclosed other matters involving internal control over compliance, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as item 10-6.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The Commission's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Commission's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission (Commission) as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 14, 2011. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. The 2010 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2010 taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Commission's basic financial statements for the years ended June 30, 2009 and June 30, 2008. In our reports dated January 25, 2010 and March 27, 2009 on the basic financial statements, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2009 and 2008 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2009 and June 30, 2008 taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Commission board and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
May 23, 2011, except for the Supplementary Information
for State Compliance Purposes paragraph, as to which the date
is March 14, 2011



Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable William G. Holland
Auditor General
State of Illinois, and

Mr. Donald J. McNeil
Honorable Chairman of the Governing Board
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission (Commission), as of and for the year ended June 30, 2010, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Commission's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in finding 10-1 in the accompanying schedule of findings to be a material weakness.

A *significant deficiency* is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in findings 10-2, 10-3, 10-4 and 10-5 in the accompanying schedule of findings to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as findings 10-1, 10-4, 10-5 and 10-6.

The Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Commission's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Commission management, and the Commission Board and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
March 14, 2011

Year Ended June 30, 2010

Current Findings – Government Auditing Standards

Finding 10-1 Procurement Law and Sound Business Practices Not Followed

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission (Commission) did not comply with the competitive procurement requirements of the Illinois Procurement Code and did not follow sound business practices in its selection of a vendor to provide investment due diligence services. Further, the services performed by the vendor did not match the services specified in the contract.

The Commission awarded a contract for investment due diligence services without following established procurement law, administrative rules or sound business practices. We noted the following exceptions discussed further below:

1. The Request for Proposal (RFP) issued to procure the Services was not specific to investment due diligence services, but rather was for financial advisory services pertaining to issuing or restructuring debt;
2. Only one of ten “prequalified vendors” provided pricing for the investment due diligence services and there was no effort to obtain quotes from any of the other successful respondents when it was determined that investment due diligence services were needed;
3. The performance of the work commenced prior to obtaining a signed contract;
4. The Commission could not provide documentation showing the vendor’s “due diligence” services were provided as required by the contract;
5. The fee arrangements with the selected vendor did not ensure objectivity in the performance of the work which was the subject of the contract; and
6. Management focused on only one private equity investment alternative.

Competitive Price Procurement Circumvented in the RFP Process (Exceptions #1 and #2)

On January 4, 2008, the Commission (through Central Management Services) issued an RFP titled “**To Provide Financial Advisory Services to the Illinois Student Assistance Commission #IDAPP200710**”. Within the RFP, Page 8, Section 4.1.”**Need For Services**” it stated “The Illinois Student Assistance Commission (ISAC) is requesting proposals for financial advisory services to ISAC in connection with (i) structuring and placing new debt, (ii) restructuring its current debt structure and (iii) swaps or other derivative transactions. ISAC will enter into contracts with several financial advisory firms and (iv) general financial advice in connection with improving ISAC’s operational and financial functions. During the term of the contract, as ISAC has a need for financial advisory services, ISAC shall issue invitation for bids (IFB).” Responses to the RFP were due January 18, 2008.

Using this RFP, 10 vendors were prequalified to perform the services specified in the RFP. Upon review of the complete RFP, the auditors concluded the RFP was primarily issued to assist the Commission with services pertaining to the issuance/restructuring of debt. The auditors reviewed the proposal provided by the vendor awarded investment due diligence services under this RFP. The proposal was complete and clearly demonstrated the vendor’s capabilities and experience in assisting governmental entities with debt issuance related matters, however the vendor did not present qualifications in the proposal pertaining to investment advisory services or investment due diligence services. The price proposal, however, did contain the following additional unsolicited fee quote that was not included in the RFP fee proposal form:

“Other Services: Financial Advisor, investment banking and analysis services related to investment of 529 prepaid tuition plan assets in illiquid assets and/or private placement in new asset categories charges: 1.25 to 2% of invested assets.”

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-1 Procurement Law and Sound Business Practices Not Followed (Continued)

According to the Illinois Administrative Code (44 Ill. Adm. Code 1.2035.h) RFPs shall include the following information:

- A) the type of services required;
- B) a description of the work involved;
- C) an estimate of when and for how long the services will be required;
- D) the type of contract to be used;
- E) a date by which proposals for the performance of the services shall be submitted;
- F) a statement of the minimum information that the proposal shall contain, which may, by way of example, include:
 - i) the name of the offeror, the location of the offeror's principal place of business and, if different, the place of performance of the proposed contract;
 - ii) if deemed relevant by the Procurement Officer, the age of the offeror's business and average number of employees over a previous period of time, as specified in the Request for Proposals;
 - iii) the abilities, qualifications, and experience of all persons who would be assigned to provide the required services;
 - iv) a listing of other contracts under which services similar in scope, size, or discipline to the required services were performed or undertaken within a previous period of time, as specified in the Request for Proposals;
 - v) a plan, giving as much detail as is practical, explaining how the services will be performed;
- G) price (to be submitted in a separate envelope in the proposal package and not mentioned elsewhere in the proposal package); and
- H) the factors to be used in the evaluation and selection process and their relative importance.

The Illinois Procurement Code (30 ILCS 500/35-30 and 35-35) requires that all professional and artistic services greater than \$20,000 shall be awarded using competitive request for proposal.

Based on the RFP issued, there was no clear basis for awarding a contract for investment due diligence services in a fair and competitive manner that allowed all interested parties the opportunity to participate in the procurement opportunity. Based on the fact that none of the other 9 successful (prequalified) respondents provided pricing for investment due diligence services, it is clear that the RFP was not sufficiently clear that those types of services were being solicited. There is no evidence that any of the 9 respondents were asked to provide pricing for due diligence services after the proposals were received and scored.

There may have been numerous vendors who specialize in these types of investment services who did not reply to the request for proposal because it was predominantly requesting bond issuance services. By circumventing the competitive procurement process the Commission may have paid higher fees than it otherwise might have obtained through a truly competitive process.

According to Commission management, the Commission believes that the RFP process complied with the Illinois Procurement Code and permitted selection of a vendor from the qualified list of financial advisors to perform the services requested. Additionally, the Commission examined the responses of the winning vendors for financial advisory services and selected the qualified vendor that provided a response and a price for these specific services.

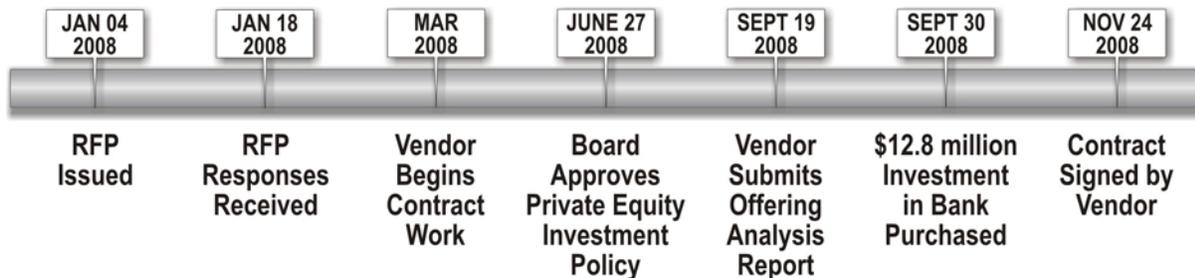
Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-1 Procurement Law and Sound Business Practices Not Followed (Continued)

Contract Not Reduced to Writing and Performance of Contract Requirements not Adequately Documented (Exceptions #3 and #4)

The Vendor's investment due diligence services were limited to one recommended transaction – a private equity investment in a specific bank. According to Commission management, the Vendor began performing its due diligence work on the viability of the recommended private equity investment in the Bank around March 2008. This was prior to the Board approving changes to the investment policy on June 27, 2008 that would allow for direct private equity investments. The Vendor issued its final Offering Analysis report on September 19, 2008. The investment in the Bank was actually made on September 30, 2008. The terms of the contract with the vendor provided for services to be performed between November 24, 2008 and March 31, 2009. The contract was not signed until November 24, 2008. Thus all the work required by the contract was completed and the private equity investment was purchased prior to the date and terms of the contract beginning November 24, 2008.



The Commission lacked documentation showing that the vendor performed the same services as specified by the contract. The contract called for the vendor to “Conduct thorough due diligence of the proposed investment”. Due diligence generally requires the independent verification of material facts, and in this case, Bank management representations. In the “Sources of Information Used in Our Analysis” section of the Offering Analysis, provided as the final work product of the Vendor, it states “All information concerning the Bank was provided by (Bank) management. All information received has been accepted by (the Vendor) to be accurate with no further investigation”. The auditors requested but were not provided any evidence that the Vendor independently verified management’s representations.

Statewide Accounting Management Systems (SAMS) Procedure 15.10.40 and sound business practices require contracts be reviewed and signed prior to the inception of the contract and prior to services being rendered to be binding and enforceable and to protect the interest of the parties involved. Sound business practices would also require the Commission to ensure that the provisions of the contract were performed prior to the payment for services.

Failure to review and sign contracts before the beginning of the contract period increases the risk of liability to the State. Failure to obtain documentation ensuring the contractor performed the due diligence provisions of the contract may have diluted the value of the contract performance received by the Commission.

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-1 Procurement Law and Sound Business Practices Not Followed (Continued)

According to Commission management, the contract was not executed prior to the commencement of work because of unclear communication and an incorrect assumption that contracts were entered into with all vendors prequalified to provide financial advisory services. Commission management stated the vendor, in conjunction with the Commission's outside attorneys, reviewed financial records and reports, conducted site visits and interviews, reviewed reports of federal regulators and other corporate records and documents prior to preparing their report.

Vendor Fee Arrangement Not Objective and Alternative Investments Not Considered (Exceptions #5 and #6)

The terms of the agreement with the Vendor performing the due diligence services stated the Vendor would receive as payment for services, 1.25% to 2% of the invested amount. The fee paid was 2% of the amount invested, or \$255,600. The vendor was asked to provide due diligence services leading to a conclusion as to the viability of one specific private equity investment. Management did not solicit from this vendor or any other vendor information on the viability of other alternate investment choices.

By paying the vendor on a commission or a contingent fee basis, the Commission may have created an incentive for the vendor to recommend the private equity investment. Specifically, there was no contractual means for the vendor to be paid under the signed contract if the investment was not made. The vendor recommended the investment in the Bank in its report issued September 19, 2008, which preceded the contract execution. The Commission did not consider other private equity investment choices for this asset allocation category.

We noted the Offering Analysis prepared by the Vendor included an analysis of the Capital Adequacy, the Asset Quality, Management, Earnings and Liquidity of the potential investment in the Bank. This type of rating is called a CAMEL rating in the report. We noted that in each category of the analysis report there were potential red flags as to the soundness of the investment.

Despite the red flags noted the vendor recommended the investment in the Bank and the Commission purchased the \$12.78 million investment on September 30, 2008. By the end of fiscal year 2010, the Commission determined the entire \$12.78 million value of the investment was worthless when the Bank was taken over by the FDIC.

Best practices require that vendors contracted to provide their opinion on investment purchase decisions not be compensated on a basis that is contingent upon the opinion rendered. It generally would be considered to be a prudent business practice for management to consider a variety of alternative private equity investments to allow for greater opportunity to make sound investment choices.

According to Commission management, the Commission believed the fee arrangement was appropriate and consistent with the Vendor's price proposal and contingent fee proposals from other qualified vendors in response to the RFP that were based upon the principal amount of securities offered. Commission management stated the decision to consider only the one Bank investment was a business decision. (Finding Code No. 10-1)

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-1 Procurement Law and Sound Business Practices Not Followed (Continued)

Recommendation:

We recommend the following:

- The Commission should comply with the Procurement Code and Administrative Rule in procuring professional and artistic services.
- The Commission should establish policies whereby RFPs are thoroughly reviewed before issuance to ensure that all aspects of the needed services are thoroughly described in the document. If the Commission determines at a later time that a necessary service was not fully described in the original RFP, the Commission should issue an addendum if the deadline for submission has not yet expired. If the deadline has expired, the Commission should issue a new RFP for the omitted service.
- If one RFP is being issued to solicit vendors for multiple and/or varying services, the pricing portion of the RFP should provide a detailed schedule or table specifying the manner in which pricing should be provided for the different types of services requested. Bidders should be required to use this standardized template to ensure comparable results are received.
- The Commission should process and approve all contracts in writing before the beginning of the contract period or commencement of any services.
- The Commission should ensure that the provisions of contracts are performed and documented before paying vendors for services.
- The Commission should revisit contingent fee based compensation methods when contracting for opinions on investment purchase decisions that may influence the objectivity or the perception of objectivity of the opinion rendered.
- The Commission should consider taking into account other alternate investments choices when making investment decisions.

Commission Response

We accept the recommendation.

While appropriate procurement procedures were followed, ISAC's future RFPs will have more precise descriptions of services to be solicited with clearer pricing requirements. Moreover, we have changed our procedures for RFPs that result in a large number of qualified bidders in order to ensure that services begin only after the contract is signed. We have reinforced our procedures that require review and sign-off of contract deliverables before vendor payments are processed. We will review contingent-fee compensation and consider taking into account different investment choices when making investment decisions.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-2 Financial Reporting Process

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not provide the auditors with complete and accurate financial statements on a timely basis. Also, the Illinois Designated Account Purchase Program (IDAPP) does not have sufficient control over financial reporting.

During the audit entrance conference on May 11, 2010, a deadline for submission of IDAPP's draft financial statements was determined and agreed to by the auditors and IDAPP management. The deadline for delivery of the complete draft financial statements to the auditors for fiscal year 2010 was October 1, 2010. An initial draft was provided to the auditors on September 30, 2010, which was incomplete and had not been fully reviewed by the Commission and all parties involved with the preparation and approval of the financial statements. Changes and adjustments to the initial draft occurred as late as November 15, 2010, 46 days after the agreed upon deadline, when several reclassifications and other changes were made affecting the financial statements and note disclosures.

Several errors and omissions were identified and corrected during the audit of the draft financial statements for IDAPP. Some of the more significant items were as follows:

- Transfers in and out were out of balance, requiring an adjusting entry in the amount of \$750,000 to the general ledger. In accordance with fund accounting, transfers between funds and departments within the entity should net to zero.
- Severance accruals relating to benefits for terminated employees were not recorded in the draft financial statements. Upon review of the agency's severance policy, it was determined that an adjusting journal entry in the amount of \$137,000 was needed to properly record severance accrual at the end of the fiscal year. In accordance with GASB Statement No. 47, *Accounting for Termination Benefits*, a liability and expense for involuntary termination benefits (for example, severance benefits) should be recognized when a plan of termination has been approved by those with the authority to commit the government to the plan, the plan has been communicated to the employees, and the amount can be estimated.
- Student loan premiums recorded in the general ledger did not agree to individual supporting schedules provided to the auditors, resulting in an adjusting entry of \$265,000 to the general ledger accounts. In accordance with good internal control, all balance sheet accounts should be reconciled to subsidiary ledgers or other supporting information on a regular basis, including at year-end. Differences should be investigated and adjustments recorded as necessary.
- An adjustment to write-off uncollectible amounts relating to notes receivable from an external service provider, in the amount of \$683,000 was not made timely and required an adjustment at year-end. IDAPP was in violation of its policy requiring the Loan Accounting department to write-off uncollectible balances within 3 business days of receiving the completed and approved write-off form. (See finding 10-5)
- Weighted average maturities (WAM) of investments were calculated incorrectly. As a result, the related interest rate risk disclosure schedule was inaccurate for three of the four types of securities reported. In accordance with good internal control, each schedule on the financial statement should be reviewed and reconciled to underlying supporting information. Differences should be investigated and corrections made prior to providing financial statements to auditors.

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-2 Financial Reporting Process (Continued)

- Pledged revenue disclosures were not reported for the 2009 series debt issuances in the draft financial statements. In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, “For each period in which the secured debt remains outstanding, pledging governments should disclose, in the notes to financial statements, information about specific revenues pledged.” The most significant items that should be reported include the approximate amount of the pledge, the specific revenues that are pledged, the term of the commitment, pledged revenues during the reporting period compared to the principal and interest requirements for the same period and the approximate portion of the specific revenue stream that has been pledged.

The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

According to IDAPP management, changes subsequent to the initial delivery of the draft financial statements were the result of the ongoing review of the financials by the Commission and the Illinois Office of the Comptroller. The Commission made all efforts and was in constant communication with the Illinois Office of the Comptroller and the auditors prior to the end of the fiscal year to ensure that the year-end process was timely and accurate.

Submitting incomplete and inaccurate draft financial statements delays completion of the audit process and the timely release of IDAPP's and the Commission's financial reports to users. Also, insufficient and/or ineffective controls over financial reporting could lead to significant reporting inaccuracies in the financial statements and notes to the financial statements. (Finding Nos. 10-2, 09-3, 08-5)

Recommendation

We recommend the Commission improve controls over financial reporting to ensure accurate presentation and disclosure of IDAPP's annual financial statements. The Commission should take a comprehensive look at the entire financial reporting process and make changes needed to timely release financial reports to users and to auditors.

Commission Response

We accept the recommendation.

IDAPP is reviewing all of its policies and procedures regarding the close process and the preparation of the financial statements. Quality control checks will be put in place to ensure the submission of accurate financial statements.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-3 Student Loan Payments Not Processed Correctly

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not properly apply student loan payments to principal and interest.

The Illinois Designated Account Purchase Program (IDAPP) utilizes several external service organizations to manage and monitor its student loan portfolio. During our testing of student loan payments, we noted that for four out of twelve (33%) payments sampled for one of the service organizations, there were errors in the application of the payments between principal and interest.

IDAPP management acknowledged it was aware of a system problem relating to the processing of payments at this service provider. Subsequent to IDAPP's fiscal year ended June 30, 2010, the service provider performed a retrospective calculation for each loan possibly affected by this situation. In addition, IDAPP has hired an independent third party entity to review this retrospective calculation for propriety. Based on the review performed by the service provider, misapplied payments as of June 30, 2010 totaled approximately \$291,000, resulting in an understatement of IDAPP's student loan receivable balance by the same amount. This amount was deemed immaterial and was not recorded at year end.

The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. A good internal control environment includes checks and balances to ensure accounting transactions are recorded accurately. This extends to those transactions processed by third parties such as service organizations.

According to IDAPP management, this situation occurred due to the way the computer program used by the service organization handled forbearances, deferments and the related capitalized interest.

The service provider in question manages approximately \$312 million of IDAPP's student loan portfolio as of June 30, 2010. This represents 28% of the student loan receivable balance of \$1,107 million at fiscal year end 2010. Misapplication of student loan payments between interest and principal could result in IDAPP's student loan receivable and operating revenue being misstated. Additionally, misapplication of payments could lead to certain borrowers "paying off their loan" when a balance actually remains, or over-paying the remaining loan balance. Although individual payments misapplied during the year ended June 30, 2010 appear to be insignificant, these amounts can accumulate throughout the years to a more significant amount. (Finding Code No. 10-3)

Recommendation

We recommend IDAPP management closely monitor each service organization used to manage its student loan portfolio. Reviews of the service organization's processes and controls should be performed on a periodic basis. This should include a review of the service organization's "Report on controls placed in operation and tests of operating effectiveness," prepared and issued by independent auditors, in accordance with the Statement on Auditing Standards No. 70. Any noted variances in application of borrower repayments should be investigated and corrected in a timely manner.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – *Government Auditing Standards* (Continued)

Finding 10-3 Student Loan Payments Not Processed Correctly (Continued)

Commission Response

We accept the recommendation.

The Commission was aware of the system problem relating to the processing of payments at this service provider. The Commission believes that these adjustments to borrower balances are insignificant and immaterial. The Commission has hired an independent consultant and is working with the service provider to ensure the integrity of the borrower balances. Any questions raised by borrowers regarding their balance are investigated and corrected in a timely basis.

Please also note that IDAPP has a process where it reviews the SAS 70 reports of all the outside service providers and follows up on any findings that are deemed material weaknesses. The service provider's report for the period of July 1, 2009 through August 15, 2010 was reviewed by IDAPP and IT management in September 2010 with no material weaknesses noted.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-4 Noncompliance with Investment Policy

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) invested in a money market mutual fund with holdings in securities not permitted by its investment policy.

As of June 30, 2010, the Illinois Designated Account Purchase Program (IDAPP) had invested \$13.4 million in a Fund, which invests in corporate debt securities that were not guaranteed by the full faith and credit of the United States of America as required by the investment policy. This investment was approximately 5% of IDAPP's total investment balance as of the fiscal year end 2010.

Section 5.5 of IDAPP's current investment policy only allows investments in money market mutual funds with portfolio holdings of United States obligations including bonds, notes, certificates of indebtedness, treasury bills or other securities, which are guaranteed by the full faith and credit of the United States of America as to principal and interest, and direct United States obligations (bonds, notes, debentures or other similar obligations of the United States of America or its agencies).

The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that funds held outside the State Treasury are managed, used and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist. Good internal controls include checks and balances to ensure policies established by the Board are followed and adhered to.

According to IDAPP management, the Series 2002, 2003, 2004 and 2005 Bond Indenture which guides permitted investments of the related Bond Indenture Trust allow that investments may be made in money market funds rated Aa2 or higher by Moody's and, if rated by Fitch, rated AA- or higher, provided, however, that such rating, if any, shall be AA/F1+ or higher for any money market fund which has the ability to maintain a stable one-dollar net asset value per share and whose shares are freely transferable on a daily basis. IDAPP management was following the guidelines of allowable investments specified in the bond documents, but not the current IDAPP investment policy.

This money market mutual fund invests in non-governmental securities which are more volatile than United States obligations and direct United States obligations. By investing in the money market mutual fund, IDAPP has failed to comply with its investment policy and has exposed its investments to a higher risk of loss than agreed to by its Board. (Finding Code No.10-4)

Recommendation

We recommend IDAPP improve controls over investments to ensure that it is in compliance with its investment policies. Further IDAPP should reinvest the money invested in the money market fund in violation of its investment policy to an allowable investment vehicle.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – *Government Auditing Standards* (Continued)

Finding 10-4 Noncompliance with Investment Policy (Continued)

Commission Response

We accept the recommendation.

The non-compliant investment was sold and the funds moved into a compliant investment on December 16, 2010.

The investment was first purchased in March 2009 and was compliant with the investment policy. Over the course of the year, the fund shifted its investments to some non-governmental securities.

The investments held by the various trusts will be reviewed by the investment committee on a quarterly basis to assure compliance with the investment policy. Investments not in compliance will be sold and the funds moved into other investments.

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-5 Noncompliance with Write-Off Policy

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) was not in compliance with its non-cash write-off policy regarding the student loan receivable balances.

During our analysis of the Illinois Designated Account Purchase Program's (IDAPP) student loan receivable balance, we noted that IDAPP's current write-off policy requires the Operations Director and the Director of Accounting and Operations to review and approve write-offs on IDAPP owned alternative student loan balances. Alternative student loans are credit-based loans originated by IDAPP that are not guaranteed by the Federal Family Education Loan Program. We noted that one out of the six selections reviewed (17%) did not contain proper approval. In addition, IDAPP is in violation of its current write-off policy requiring the Loan Accounting department to write-off the balance within 3 business days of receiving the completed and approved write-off form. Four out of the six selections (67%) were not written-off within 3 business days, as required by the policy. They were written off in timeframes ranging from 10 and 45 days.

The Fiscal Control and Internal Auditing Act, 30 ILCS 10/3001 requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources. Good internal controls include checks and balances to ensure policies established by management are followed.

According to IDAPP management, the write-offs processed without approval were an error. Timeliness of the write-offs was the result of reductions in the workforce occurring within IDAPP and changes in IDAPP's management structure.

Without proper approval for the write-off of IDAPP's student loans receivables, loans may be written off in error when collection of receivable amounts may still be viable. Unauthorized write-offs of student loans increases the risk of fraud. In addition, not posting the write-off within the reasonable time period of 3 days could result in interest being inaccurately accrued on outstanding balances. Although individual write-off amounts were immaterial (an average of \$250), these amounts could accumulate throughout the year to a more significant amount. (Finding Code No. 10-5)

Recommendation

We recommend that IDAPP improve its controls to ensure that IDAPP accounting staff complies with current policy and procedures in place regarding the authorization and timing of the write-offs of student loan receivables.

Commission Response

We accept the recommendation.

IDAPP is reviewing all of its policies and procedures regarding the write-off of student loans. The policies and procedures will take into account the outsourcing of the loan servicing operations and the current number of employees.

Year Ended June 30, 2010

Current Findings – Government Auditing Standards (Continued)

Finding 10-6 Debt Covenant Violation

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) was not in compliance with one of the covenants relating to the agency's revolving line of credit agreement.

During the audit of the agency's June 30, 2009 financial statements, the Illinois Designated Account Purchase Program (IDAPP) management brought to our attention that they had violated one of the covenants relating to the agency's revolving credit line (loan) agreement with a bank. The non-compliance pertained to the "Coverage condition ratio" covenant. According to the line of credit agreement with the bank, the "Forbearance Excess Amount," defined as the aggregate value of all eligible student loans that are subject to forbearance, is to be used in the calculation of the coverage condition ratio covenant. When IDAPP completed the report, created by the bank, and as instructed by the bank, the report produced an inaccurate calculation of the amount for the loans in forbearance. Once the error was discovered and the Coverage condition ratio was recalculated, it resulted in a lack of compliance with the Coverage condition ratio by IDAPP.

During our audit of the agency's June 30, 2010 financial statements, we noted that IDAPP continued to be in violation of the same covenant noted above. However, we noted that IDAPP had improved internal controls related to reporting requirements of the various indentures. IDAPP has a master checklist that incorporates all reporting requirements of the various indentures. The checklist is monitored and maintained on a monthly basis. All of the reporting requirements are reviewed and signed-off by management.

As a result of the violation, 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 has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. Management believes the bank would have little incentive to call the line of credit and begin servicing the student loans itself, particularly because IDAPP has made all of its required payments in a timely fashion. The balance of the line of credit with the bank was \$355,456,827 at June 30, 2010. According to ISAC management, the bank has agreed to refrain from exercising their rights under the Agreement until July 27, 2011.

The debt covenant violation with the bank also triggered a default in one of the covenants in the loan agreement with another bank. This bank granted IDAPP a deferment from exercising its rights in connection with such default until July 31, 2010. Shortly thereafter, the bank was taken over by the FDIC. Since that time, IDAPP has been pursuing an agreement with the new institution for an extension on the July 31, 2010 deferment date. This issue has not yet been resolved. The balance in the line of credit with this bank was \$4,717,675 at June 30, 2010.

According to IDAPP management, the cause of the Coverage Condition breach was due to the level of forbearances exceeding the limit. This was due to the policy of treating student borrowers who had both loans guaranteed by the Federal Family Education Loan Program (FFELP) and other loans not guaranteed by FFELP as if all its loans were guaranteed by FFELP.

Failure to comply with debt covenants could result in the debt becoming due and payable in advance of scheduled retirement dates. As a result of the violation, both banks may have certain remedies under the terms of the loan agreements, principal of which would be the right to call the loans and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code Nos. 10-6, 09-1)

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – *Government Auditing Standards* (Continued)

Finding 10-6 Debt Covenant Violation (Continued)

Recommendation

We recommend that IDAPP continue to monitor these loan covenant violations and continue seeking remedies from the lenders involved.

Commission Response

We accept the recommendation.

IDAPP will continue to monitor these loan covenants. Commission management has been in constant communication with both parties and is working with them to resolve the violations and to refinance the facilities.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance

Finding 10-7 Late Filing Affidavits Incomplete

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

During our examination of contracts paid from non-appropriated funds, we noted that 3 of 20 (15%) contracts were submitted to the Comptroller late, and required Late Filing Affidavits to be submitted. Although the Late Filing Affidavits were submitted to the Comptroller, they did not contain an explanation as to why the contract was not filed timely. The contracts were late by a range of 25 to 58 days, amounting to \$410,000.

According to the Statewide Accounting Management System (SAMS) 15.10.40, state agencies are required to file Professional and Artistic contracts exceeding \$5,000 and other contracts exceeding \$10,000 with the Comptroller's office within 15 calendar days of execution. When a contract has not been filed within 30 days of execution, the agency is required to file a Late Filing Affidavit signed by the Chief Executive Officer setting forth an explanation of why the contract liability was not filed within 30 days of execution.

According to Commission management, the late filings were due to human error.

Failure to file contracts with the Comptroller's office as required deprives the Comptroller of information needed to fulfill its duties to monitor State contracts. (Finding Code Nos. 10-7, 08-6)

Recommendation

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

Commission Response

The Commission will comply with SAMS requirements and file all executed contracts within the required timeframe. The Commission will also ensure that any late filing affidavits that need to be submitted are properly completed.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-8 Contract Creation and Execution

The Illinois Student Assistance Commission (Commission) did not comply with certain requirements for the creation and execution of State contracts.

During our examination of State contracts, we noted that 9 of 9 contracts for legal services sampled (100%) totaling \$1,039,201 did not contain the required disclosure that the contracts are not subject to the Illinois Indemnification Act (Act) (5 ILCS 350). The value of the contracts range from \$25,000 to \$264,201.

Statewide Accounting Management System (SAMS) 15.20.30 requires that all contracts for legal services filed with the Comptroller not subject to the State Indemnification Act must disclose in the description block for the COD - Contract Obligation Document (C-23) that the contract is not subject to the Act.

According to Commission management, the Accounting Liaison was not aware of this requirement for all contracts filed with the Comptroller, not subject to the State Indemnification Act.

Failure to make the proper disclosure to the Comptroller that a contract for legal services is not subject to the Act makes it appear that a contract is subject to the Act and requires approval from the Office of the Attorney General. (Finding Code 10-8)

Recommendation

We recommend the Commission adopt procedures to ensure that the creation and execution of all contracts comply with SAMS requirements.

Commission Response

The Commission has reviewed its process, and will ensure that the creation and execution of all contracts will comply with SAMS requirements.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-9 Missing and Untimely Employee Performance Evaluations

The Illinois Student Assistance Commission (Commission) did not complete performance evaluations for some employees and some evaluations were not completed timely.

Based on our examination of 30 individuals' employee performance evaluations, we noted the following:

- The performance evaluations of 21 of 30 employees (70%) sampled were submitted late to the Human Resource Department (HRD). These evaluations were submitted between 2 and 91 days late.
- There was one employee (3%) that did not receive a performance evaluation.

The Commission's Policies and Procedures (PPD) # 413 states that annual performance appraisals are required for management and non-management employees.

According to Commission management, there were three layoffs during the periods in question, in September 2009, February 2010 and June 2010. The Commission determined that performance reviews would not be conducted during the layoff periods.

Performance evaluations are a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance evaluations should serve as a foundation for salary adjustment, promotion, demotion, discharge, layoff, recall and reinstatement decisions. (Finding Code Nos. 10-9)

Recommendation

We recommend the Commission ensure that required semi-annual performance evaluations of employees are completed and submitted to the Human Resource Department in a timely manner.

Commission Response

Performance reviews have resumed, and will be completed and submitted on a timely basis.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-10 Incomplete and Inaccurate Information on Agency Workforce Report

The Illinois Student Assistance Commission (Commission) did not include complete and accurate information on its Agency Workforce Report.

During our examination we noted the following exceptions on the Commission's Agency Workforce Report for the year ended June 30, 2009:

- Required statistical percentages were not disclosed; and
- Demographic information in the AWR was as of December 28, 2009 instead as of June 30, 2009.

Section 15 of the State Employment Records Act (5 ILCS 410) requires State agencies to collect and maintain information and publish reports including but not limited to the following information arranged in the indicated categories:

- The total number of persons employed by the agency who are part of the State work force, and the number and statistical percentage of women, minorities, and physically disabled persons employed within the agency work force;
- The total number of persons employed within the agency work force receiving levels of State remuneration within incremental levels of \$10,000, and the number and statistical percentage of minorities, women, and physically disabled persons in the agency work force receiving levels of State remuneration within incremented levels of \$10,000;
- The number and percentage of open positions of employment or advancement in the agency work force filled by minorities, women, and physically disabled persons, reported on a fiscal year basis;
- The total number of persons employed within the agency work force as professionals, and the number and percentage of minorities, women, and physically disabled persons employed within the agency work force as professional employees; and
- The total number of persons employed within the agency work force as contractual service employees, and the number and percentage of minorities, women, and physically disabled persons employed within the agency work force as contractual services employees.

Section 20 of the State Employment Records Act also requires State agencies to collect, classify, maintain, and report all information required on a fiscal year basis.

According to Commission management, following the departure of the individual charged with completion of this report, and through an oversight, this report was not submitted in the format required. An amended form was completed and submitted in November 2010, and sent to the Secretary of State and the Officer of the Governor.

Failure to submit complete and accurate information on the Commission's Agency Workforce Report's could deter efforts by State officials, administrators and State residents to achieve a more diversified State work force. (Finding Code 10-10)

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-10 Incomplete and Inaccurate Information on Agency Workforce Report (Continued)

Recommendation

We recommend the Commission adopt procedures to ensure that its annual Agency Workforce Report contains complete and accurate information for each defined reporting period.

Commission Response

Procedures have been put into place to ensure that the annual Agency Workforce Report is completed and submitted to the Office of the Secretary of State.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-11 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.”

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.

By not complying with the Act the Commission has not provided the citizens of the State of Illinois a college saving program mandated by the General Assembly. (Finding Code No. 10-11)

Recommendation

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

Commission Response

The Commission will review the matter. The Commission will request a repeal of the Act if appropriate.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Current Findings – State Compliance (Continued)

Finding 10-12 Use of Appropriated Funds

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

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 \$18,000 was expended on awards and grants to students. In fiscal year 2009 \$756,000 was loaned to the Illinois Designated Account Purchase Program (IDAPP) for operational purposes.

Public Act 96-0042, Article 70 and Section 35 of House Bill No. 2206 and Public Act 95-0734, Article 23 and Section 75 of House Bill No. 5701 of the Illinois General Assembly state that "the sum of \$3,500,000, or so much thereof as may be necessary, is appropriated to the Illinois Student Assistance Commission from the Student Loan Operating Fund for costs associated with Federal Loan System Development and Maintenance."

Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that resources are utilized efficiently, effectively, and in compliance with applicable law and that all obligations and costs are in compliance with applicable law.

According to Commission management, the Student Loan Operating Fund appropriation language gave the Commission the authority and flexibility to make payments from the fund for any distributions necessary for the administration of the Federal Family Education Loan program in Section 70. For this particular line the language in the appropriation report from the Illinois Office of the Comptroller indicated that it was for Lump Sum and Other purposes. 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.

Failure to expend public funds of the State in accordance with the Appropriation Act results in the use of public funds for purposes other than those mandated by the General Assembly. (Finding Code No. 10-12)

Recommendation

We recommend 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 Response

The Commission will comply with requirements for the use of public funds of the State in accordance with the purpose for which such funds have been appropriated.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Prior Findings Not Repeated

A. Unapplied Cash

During our fiscal year 2009 audit, we noted the Illinois Designated Account Purchase Program (IDAPP) did not apply cash collections (student loan payments) in a timely manner. (Finding Code No. 09-2)

During our fiscal year 2010 audit, our sample testing indicated that all remittances are being processed timely by the applicable service organizations.

B. Securities Lending Program Not Properly Accounted For

During our fiscal year 2008 audit, the Illinois Prepaid Tuition Program (Program) of the Illinois Student Assistance Commission (Commission) did not have adequate internal controls over financial reporting for its securities lending transactions. The Commission implemented a securities lending program in fiscal year 2008. The Commission did not record its \$168 million in securities lending collateral investments or \$171 million in liabilities related to securities lending as of June 30, 2008, or the associated \$3 million unrealized loss incurred for the fiscal year. In addition, the draft financial statements provided to the auditors did not have the required securities lending disclosures. (Finding Code No. 08-1)

During our fiscal year 2009 audit, we noted that the securities lending program was properly accounted for. The Commission recorded the assets, liabilities and loss related to the securities lending transactions balances on a monthly basis throughout the year. In addition, the financial statements provided to the auditors had the required securities lending disclosures.

C. Draft Financial Statements Not Accurate

During our fiscal year 2008 audit, we noted the Illinois Designated Account Purchase Program (IDAPP) of the Illinois Student Assistance Commission (Commission) did not have sufficient controls over financial reporting. Several errors and omissions were identified during the audit of the draft financial statements provided for IDAPP. (Finding Code No. 08-2)

During our fiscal year 2009 audit, we did not note the errors or omissions identified in the previous year's financial statements, or any new material or significant misstatements in the IDAPP draft financial statements prepared by the Commission.

D. Investment Policies Not Followed

During our fiscal year 2008 audit, we noted the Illinois Designated Account Purchase Program (IDAPP) did not have adequate collateral to cover 100% of its bank deposit balances that exceed FDIC insured amounts, and investments in a single issuer exceeded investment policy established limits. (Finding Code No. 08-3)

During our fiscal year 2009 audit, we noted that IDAPP does not have any uncollateralized deposits as of June 30, 2009. Additionally, IDAPP's investment in a single issuer did not exceed investment policy limits.

**State of Illinois
Illinois Student Assistance Commission**

Year Ended June 30, 2010

Prior Findings Not Repeated (Continued)

E. Documentation of Journal Entry Approval is Lacking

During our fiscal year 2008 audit, we noted the Illinois Designated Account Purchase Program (IDAPP) did not have adequate controls over the preparation and posting of journal entries. During our testing of internal controls over accounting for the federal special allowance revenues and receivables, we noted that there was no evidence of review of the journal entries prepared to record this revenue and related receivables by an appropriate supervisor. (Finding Code No. 08-4)

During our fiscal year 2009 audit, we noted that all journal entries are now reviewed by supervisory personnel and initialed to document the review.

**State of Illinois
Illinois Student Assistance Commission**

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Fiscal Schedules and Analysis:

- Schedule of Expenditures of Federal Awards and Related Notes
- Schedule of Appropriations, Expenditures and Lapsed Balances
- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Changes in State Property
- Comparative Schedule of Cash Receipts
- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
- Analysis of Significant Variations in Expenditures
- Analysis of Significant Variations in Receipts
- Analysis of Significant Lapse Period Spending
- Analysis of Significant Balance Sheet Accounts
- Analysis of Accounts Receivable

Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees
- Annual Cost Statistics – By Activity (Unaudited)
- Schedule of Investment Management Fees
- Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
Illinois Student Assistance Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010
(Amounts expressed in thousands)

| Federal Grantor Program Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|-------------------------|
| U.S. Department of Education: | | |
| Federal Family Education Loan Program | 84.032 | \$ 238,322 |
| Leveraging Educational Assistance Partnership (LEAP - Formerly SSIG) | 84.069 | 3,863 |
| College Access Challenge Grant (CACG) | 84.378 | 2,180 |
| Robert C. Byrd Honors Scholarship | 84.185 | 1,958 |
| Paul Douglas Teacher Scholarship | 84.176 | (1) |
| Total Expenditures of Federal Awards | | \$ 246,322 |

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
Illinois Student Assistance Commission

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2009
(Amounts expressed in thousands)

| Federal Grantor Program Title | Federal CFDA Number | Federal Expenditures |
|---|---------------------------|-------------------------|
| U.S. Department of Education: | | |
| Federal Family Education Loan Program | 84.032 | \$ 245,465 |
| Leveraging Educational Assistance Partnership (LEAP - Formerly SSIG) | 84.069 | 4,023 |
| College Access Challenge Grant (CACG) | 84.378 | 84 |
| Robert C. Byrd Honors Scholarship | 84.185 | 1,809 |
| Paul Douglas Teacher Scholarship | 84.176 | (2) |
| Total Expenditures of Federal Awards | | \$ 251,379 |

See Notes to Schedule of Expenditures of Federal Awards.

**State of Illinois
Illinois Student Assistance Commission**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010**

Note 1. Significant Accounting Principles and Policies

(a) Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the Illinois Student Assistance Commission (Commission) for the years ended June 30, 2010 and 2009. The Commission had no subrecipient activity to report.

(b) Basis of Accounting

The Schedule of Expenditures of Federal Awards is presented on the cash basis of accounting. Under this method, expenditures are recognized in the accounting period in which cash is disbursed.

Note 2. Description of Grant Programs

The following is a brief description of the grant award programs included in the accompanying Schedule of Expenditures of Federal Awards:

(a) Federal Family Education Loan Program (FFELP) - CFDA No. 84.032

This program is designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payment to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

(b) Leveraging Educational Assistance Partnership (LEAP) - CFDA No. 84.069

This program is the federal portion of the Monetary Award Program funded by the United States Department of Education. The Leveraging Educational Assistance Partnership (LEAP) assists states in providing grants and work-study assistance to eligible students who attend institutions of higher education and have substantial financial need. The work-study assistance is provided through campus-based community service work learning study programs, referred to as community service-learning job programs.

(c) College Access Challenge Grant (CACG) - CFDA No. 84.378

The Student Aid and Fiscal Responsibility Act, which was signed into law on March 30, 2010, invests \$750 million to bolster college access and completion support for students. As the designated agency for the State of Illinois, ISAC was awarded the College Access Challenge Grant (CACG) award which consisted of \$2.4 million for a period of two years in FY 2010 and FY 2011 and \$4.6 million for a period of 5 years from FY 2011 – FY 2015. ISAC administers the College Illinois! Corp Program in Illinois and other college access and outreach activities with grants allocated to this fund.

**State of Illinois
Illinois Student Assistance Commission**

**Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2010**

Note 1. Significant Accounting Principles and Policies (Continued)

(d) Robert C. Byrd Honors Scholarship - CFDA No. 84.185

The Byrd Scholarship Program is a federally funded program, which provides scholarships of up to \$1,500, for a maximum of four academic years, for academically exceptional high school graduates who show promise of continued academic excellence. Byrd Scholars must become high school graduates in the same high school year in which a scholarship application is submitted, must demonstrate academic achievement through test scores and high school transcripts and be enrolled, or accepted for enrollment as full-time undergraduate students in a postsecondary institution approved by the United States Department of Education. This Scholarship is not limited to tuition and fees. Recipients may use the scholarship at out-of-state institutions.

(e) Paul Douglas Teacher Scholarship – CFDA No. 84.176

The Paul Douglas Teacher Scholarship Program was discontinued prior to July 1, 2002. ISAC has reported negative expenditures, which represent an adjustment to previously reported amounts.

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2010
 Fourteen Months Ended August 31, 2010

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Approximate Lapse Period Expenditures July 1 to August 31 (1) (2) | Approximate Total Expenditures (2) | Approximate Balances Lapsed (2) |
|--|---|---------------------------------|--|--|---------------------------------------|
| Public Act. 96-0046 | | | | | |
| Public Act. 96-0792 | | | | | |
| Appropriated Funds | | | | | |
| General Revenue Fund - 001: | | | | | |
| Operational expenses, awards, grants and permanent improvements | \$ 425,031,100 | \$ 421,429,164 | \$ 2,581,286 | \$ 424,010,450 | \$ 1,020,650 |
| Total General Revenue Fund | \$ 425,031,100 | \$ 421,429,164 | \$ 2,581,286 | \$ 424,010,450 | \$ 1,020,650 |
| Federal Congress Teacher Scholarship Fund - 092: | | | | | |
| Federal Congress Teacher scholarship for transferring repayment | \$ 400,000 | \$ - | \$ - | \$ - | \$ 400,000 |
| Payment of Byrd Honors scholarships | 3,000,000 | 1,958,876 | (3,000) | 1,955,876 | 1,044,124 |
| Total Federal Congress Teacher Scholarship Fund | \$ 3,400,000 | \$ 1,958,876 | \$ (3,000) | \$ 1,955,876 | \$ 1,444,124 |
| Accounts Receivable Fund - 242: | | | | | |
| Costs of collecting delinquent student scholarships | \$ 300,000 | \$ 192 | \$ - | \$ 192 | \$ 299,808 |
| Optometric ED Scholarship Fund - 259: | | | | | |
| Scholarships for eligible students pursuing a graduate degree in optometry | \$ 50,000 | \$ 50,000 | \$ - | \$ 50,000 | \$ - |
| University Grant Fund - 418: | | | | | |
| Grants to higher education institutions | \$ 70,000 | \$ 68,425 | \$ - | \$ 68,425 | \$ 1,575 |
| Federal Student Loan Fund - 663: | | | | | |
| Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements | \$ 290,000,000 | \$ 212,313,881 | \$ 23,114,997 | \$ 235,428,878 | \$ 54,571,122 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
Appropriations for Fiscal Year 2010
Fourteen Months Ended August 31, 2010

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Approximate Lapse Period Expenditures July 1 to August 31 (1) (2) | Approximate Total Expenditures (2) | Approximate Balances Lapsed (2) |
|--|---|---------------------------------|--|--|---------------------------------------|
| Student Loan Operating Fund - 664: | | | | | |
| Administration: | | | | | |
| Personal services | \$ 17,208,900 | \$ 13,337,900 | \$ 16,051 | \$ 13,353,951 | \$ 3,854,949 |
| State contribution to State Employees' Retirement Fund | 4,883,400 | 3,788,299 | 4,554 | 3,792,853 | 1,090,547 |
| State contribution to Social Security | 1,316,600 | 966,684 | 1,190 | 967,874 | 348,726 |
| State contribution for employees' group insurance | 4,867,400 | 3,437,457 | 1,979 | 3,439,436 | 1,427,964 |
| Contractual services | 12,630,700 | 7,115,088 | 275,303 | 7,390,391 | 5,240,309 |
| Collection agency fees | 15,000,000 | 1,548,777 | 160,313 | 1,709,090 | 13,290,910 |
| Travel | 311,000 | 57,093 | 6,220 | 63,313 | 247,687 |
| Commodities | 282,200 | 109,412 | 10,000 | 119,412 | 162,788 |
| Printing | 501,000 | 50,243 | 42,021 | 92,264 | 408,736 |
| Equipment | 540,000 | 47,638 | - | 47,638 | 492,362 |
| Telecommunications | 1,897,900 | 373,734 | 35,948 | 409,682 | 1,488,218 |
| Operation of automotive equipment | 38,400 | 31,915 | 667 | 32,582 | 5,818 |
| Costs associated with Federal Loan System development and maintenance | 3,500,000 | 18,000 | - | 18,000 | 3,482,000 |
| Payment of Federal Default fee | 10,000,000 | 862,331 | 9,807 | 872,138 | 9,127,862 |
| Total Student Loan Operating Fund | \$ 72,977,500 | \$ 31,744,571 | \$ 564,053 | \$ 32,308,624 | \$ 40,668,876 |
| Contracts and Grants Fund - 677: | | | | | |
| Costs to support outreach and training activities | \$ 2,500,000 | \$ 191,506 | \$ - | \$ 191,506 | \$ 2,308,494 |
| Federal Student Incentive Trust Fund - 701: | | | | | |
| College Access Challenge Grants | \$ 5,000,000 | \$ 2,096,434 | \$ 25,054 | \$ 2,121,488 | \$ 2,878,512 |
| Grant awards to full-time and part-time students | 4,000,000 | 3,862,620 | - | 3,862,620 | 137,380 |
| Total Federal Student Incentive Trust Fund | \$ 9,000,000 | \$ 5,959,054 | \$ 25,054 | \$ 5,984,108 | \$ 3,015,892 |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
 Appropriations for Fiscal Year 2010
 Fourteen Months Ended August 31, 2010

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Approximate Lapse Period Expenditures July 1 to August 31 (1) (2) | Approximate Total Expenditures (2) | Approximate Balances Lapsed (2) |
|---|---|---------------------------------|--|--|---------------------------------------|
| National Guard Grant and Military Vet Scholarships Fund - 721: | | | | | |
| Grant awards to full-time and part-time students | \$ 20,000 | \$ - | \$ - | \$ - | \$ 20,000 |
| IL Future Teacher Corps Scholarships Fund - 753: | | | | | |
| Grant awards to full-time and part-time students | \$ 57,000 | \$ - | \$ - | \$ - | \$ 57,000 |
| Grant awards to Golden Apple Foundation | 3,000 | - | - | - | 3,000 |
| Total IL Future Teacher Corps Scholarships Fund | \$ 60,000 | \$ - | \$ - | \$ - | \$ 60,000 |
| Totals - All Appropriated Funds | \$ 803,408,600 | \$ 673,715,669 | \$ 26,282,390 | \$ 699,998,059 | \$ 103,410,541 |
| Nonappropriated Funds: | | | | | |
| Illinois Prepaid Tuition Fund - 557: | | | | | |
| Lump sum expenditures for operations | | \$ 157,243,622 | \$ 968,608 | \$ 158,212,230 | |
| ISAC Loan Purchase Program Payroll Fund - 773: | | | | | |
| Illinois Designated Account Purchase Program Expenditures | | 7,124,788 | (1,677) | 7,123,111 | |
| Total - All Nonappropriated Funds | | \$ 164,368,410 | \$ 966,931 | \$ 165,335,341 | |
| Total - All Funds | | \$ 838,084,079 | \$ 27,249,321 | \$ 865,333,400 | |

Note: All information shown in this Schedule was obtained from agency records and reconciled to the records of the State Comptroller (September 30, 2010 SB01 report).
 Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payments to the vendor.

- (1) Lapse period expenditures are reported net of refunds, including refunds reported in the September 2010 SB01 report.
 (2) Approximate lapse period expenditures do not include interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August.

(Concluded)

State of Illinois
Illinois Student Assistance Commission
Schedule of Appropriations, Expenditures, and Lapsed Balances
Appropriations for Fiscal Year 2009
Fourteen Months Ended August 31, 2009

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 (1) | Total Expenditures (1) | Balances Lapsed |
|---|---|---------------------------------|---|---------------------------|---------------------|
| Public Act. 95-0734 | | | | | |
| Appropriated Funds | | | | | |
| General Revenue Fund - 001: | | | | | |
| Grants and scholarships: | | | | | |
| Minority teacher scholarships | \$ 3,100,000 | \$ 2,664,242 | \$ (1,667) | \$ 2,662,575 | \$ 437,425 |
| Veteran's home nurses loan payments | 1,220,000 | 26,343 | 10,000 | 36,343 | 1,183,657 |
| Nurse educators loan repayment | 1,000,000 | 342,561 | 34,619 | 377,180 | 622,820 |
| Matching grants to Illinois institutions to supplement scholarship programs | 950,000 | 949,979 | - | 949,979 | 21 |
| Scholarships to children of policemen or firemen killed in the line of duty or who are dependents of correctional officers killed or permanently disabled in the line of duty | 470,000 | 465,241 | - | 465,241 | 4,759 |
| National guard and naval militia scholarships | 4,480,000 | 4,290,204 | 189,449 | 4,479,653 | 347 |
| Illinois incentive for access grants | 8,200,000 | 8,043,750 | 18,500 | 8,062,250 | 137,750 |
| IL Scholars scholarships | 3,160,000 | 3,160,000 | - | 3,160,000 | - |
| IL Future Teachers Corps scholarships | 4,100,000 | 3,958,367 | 5,000 | 3,963,367 | 136,633 |
| College savings bond grants to eligible students | 325,000 | 324,060 | - | 324,060 | 940 |
| Nursing education students scholarships | 1,350,000 | 1,300,197 | (15,883) | 1,284,314 | 65,686 |
| Loan Repayment for Teachers Program | 500,000 | 500,000 | - | 500,000 | - |
| Total General Revenue Fund | \$ 28,855,000 | \$ 26,024,944 | \$ 240,018 | \$ 26,264,962 | \$ 2,590,038 |
| Education Assistance Fund - 007: | | | | | |
| Grants and scholarships: | | | | | |
| Veterans' scholarships | \$ 19,250,000 | \$ 19,243,189 | \$ (1,529) | \$ 19,241,660 | \$ 8,340 |
| Monetary award program grant | 381,099,800 | 380,719,556 | 30,191 | 380,749,747 | 350,053 |
| Total Education Assistance Fund | \$ 400,349,800 | \$ 399,962,745 | \$ 28,662 | \$ 399,991,407 | \$ 358,393 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
Appropriations for Fiscal Year 2009
Fourteen Months Ended August 31, 2009

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 (1) | Total Expenditures (1) | Balances Lapsed |
|--|---|---------------------------------|---|---------------------------|---------------------|
| Federal Congress Teacher Scholarship Fund - 092: | | | | | |
| Federal Congress Teacher scholarship for transferring repayment | \$ 400,000 | \$ - | \$ - | \$ - | \$ 400,000 |
| Payment of Byrd Honors scholarships | 3,000,000 | 1,809,965 | (500) | 1,809,465 | 1,190,535 |
| Total Federal Congress Teacher Scholarship Fund | \$ 3,400,000 | \$ 1,809,965 | \$ (500) | \$ 1,809,465 | \$ 1,590,535 |
| Accounts Receivable Fund - 242: | | | | | |
| Costs of collecting delinquent student scholarships | \$ 300,000 | \$ 73,801 | \$ 2,287 | \$ 76,088 | \$ 223,912 |
| Optometric ED Scholarship Fund - 259: | | | | | |
| Scholarships for eligible students pursuing a graduate degree in optometry | \$ 50,000 | \$ 50,000 | \$ - | \$ 50,000 | \$ - |
| University Grant Fund - 418: | | | | | |
| Grants to higher education institutions | \$ 70,000 | \$ 53,075 | \$ - | \$ 53,075 | \$ 16,925 |
| Federal Student Loan Fund - 663: | | | | | |
| Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements | \$ 260,000,000 | \$ 199,997,538 | \$ 18,734,122 | \$ 218,731,660 | \$ 41,268,340 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
Appropriations for Fiscal Year 2009
Fourteen Months Ended August 31, 2009

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 (1) | Total Expenditures (1) | Balances Lapsed |
|--|---|---------------------------------|---|---------------------------|----------------------|
| Student Loan Operating Fund - 664: | | | | | |
| Administration: | | | | | |
| Personal services | \$ 15,512,900 | \$ 14,914,009 | \$ 2,834 | \$ 14,916,843 | \$ 596,057 |
| State contribution to State Employees' Retirement Fund | 3,330,700 | 3,140,769 | 936 | 3,141,705 | 188,995 |
| State contribution to Social Security | 1,186,800 | 1,086,284 | 340 | 1,086,624 | 100,176 |
| State contribution for employees' group insurance | 4,343,700 | 3,825,859 | - | 3,825,859 | 517,841 |
| Contractual services | 12,471,800 | 8,744,677 | 736,812 | 9,481,489 | 2,990,311 |
| Collection agency fees | 21,334,400 | 1,562,765 | 304,325 | 1,867,090 | 19,467,310 |
| Travel | 208,300 | 87,588 | 6,343 | 93,931 | 114,369 |
| Commodities | 265,200 | 95,206 | 5,341 | 100,547 | 164,653 |
| Printing | 724,200 | 76,603 | 52,633 | 129,236 | 594,964 |
| Equipment | 535,000 | 85,929 | 21,829 | 107,758 | 427,242 |
| Telecommunications | 1,894,900 | 401,807 | 41,034 | 442,841 | 1,452,059 |
| Operation of automotive equipment | 37,900 | 36,741 | 1,102 | 37,843 | 57 |
| Costs associated with Federal Loan System development and maintenance | 3,500,000 | 1,200,428 | (289,293) | 911,135 | 2,588,865 |
| Higher education shared services | 2,128,100 | 1,778,608 | 11,807 | 1,790,415 | 337,685 |
| Payment of Federal Default fee | 10,000,000 | 1,261,032 | 30,880 | 1,291,912 | 8,708,088 |
| Total Student Loan Operating Fund | \$ 77,473,900 | \$ 38,298,305 | \$ 926,923 | \$ 39,225,228 | \$ 38,248,672 |
| Contracts and Grants Fund - 677: | | | | | |
| Costs to support outreach and training activities | \$ 1,500,000 | \$ 61,283 | \$ 15,011 | \$ 76,294 | \$ 1,423,706 |
| Federal Student Incentive Trust Fund - 701: | | | | | |
| College Access Challenge Grants | \$ 5,000,000 | \$ - | \$ 83,626 | \$ 83,626 | \$ 4,916,374 |
| Grant awards to full-time and part-time students | 4,200,000 | 4,022,605 | - | 4,022,605 | 177,395 |
| Total Federal Student Incentive Trust Fund | \$ 9,200,000 | \$ 4,022,605 | \$ 83,626 | \$ 4,106,231 | \$ 5,093,769 |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued
 Appropriations for Fiscal Year 2009
 Fourteen Months Ended August 31, 2009

| | Appropriations (Net After Transfers) | Expenditures Through June 30 | Lapse Period Expenditures July 1 to August 31 (1) | Total Expenditures (1) | Balances Lapsed |
|---|---|---------------------------------|---|---------------------------|----------------------|
| National Guard Grant and Military Vet Scholarships Fund - 721: | | | | | |
| Grant awards to full-time and part-time students | \$ 20,000 | \$ - | \$ - | \$ - | \$ 20,000 |
| IL Future Teacher Corps Scholarships Fund - 753: | | | | | |
| Grant awards to full-time and part-time students | \$ 57,000 | \$ - | \$ - | \$ - | \$ 57,000 |
| Grant awards to Golden Apple Foundation | 3,000 | - | - | - | 3,000 |
| Total IL Future Teacher Corps Scholarships Fund | \$ 60,000 | \$ - | \$ - | \$ - | 60,000 |
| Totals - All Appropriated Funds | \$ 781,278,700 | \$ 670,354,261 | \$ 20,030,149 | \$ 690,384,410 | \$ 90,894,290 |
| Nonappropriated Funds: | | | | | |
| Illinois Prepaid Tuition Fund - 557: | | | | | |
| Lump sum expenditures for operations | | \$ 72,401,815 | \$ 641,863 | \$ 73,043,678 | |
| ISAC Loan Purchase Program Payroll Fund - 773: | | | | | |
| Illinois Designated Account Purchase Program Expenditures | | 6,105,336 | (279) | 6,105,057 | |
| Total - All Nonappropriated Funds | | \$ 78,507,151 | \$ 641,584 | \$ 79,148,735 | |
| Total - All Funds | | \$ 748,861,412 | \$ 20,671,733 | \$ 769,533,145 | |

Note: All information shown in this Schedule was obtained from agency records and reconciled to the records of the State Comptroller (September 30 2009 SB01 report).

(1) Lapse period expenditures are reported net of refunds including refunds reported in the September 2009 SB01 report.

(Concluded)

State of Illinois
Illinois Student Assistance Commission
Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
Years Ended June 30, 2010, 2009 and 2008

| | Fiscal Year | | |
|---|----------------------------------|----------------|----------------|
| | 2010 | 2009 | 2008 |
| | P.A. 96-0792 (1) P.A. 96-0046 | P.A. 95-0734 | P.A. 95-0348 |
| General Revenue Fund - 001: | | | |
| Appropriations (net after transfers) | \$ 425,031,100 | \$ 28,855,000 | \$ 429,204,800 |
| Expenditures: | | | |
| Operational expenses, awards, grants and permanent improvements | 424,010,450 | - | - |
| Minority teachers scholarships | - | 2,662,575 | 2,724,434 |
| Veteran's home nurses loan payments | - | 36,343 | 44,313 |
| Nurse educators loan repayment | - | 377,180 | 239,686 |
| Matching grants to Illinois institutions to supplement scholarship programs | - | 949,979 | 949,994 |
| Scholarships to children of policemen or firemen killed in the line of duty or who are dependants of correctional officers killed or permanently disabled in the line of duty | - | 465,241 | 469,426 |
| National guard and naval militia scholarships | - | 4,479,653 | 4,469,701 |
| Veterans' scholarships | - | - | 19,223,139 |
| Illinois incentive for access grants | - | 8,062,250 | 8,154,750 |
| IL Scholars scholarships | - | 3,160,000 | 3,160,000 |
| IL Future Teachers Corps scholarships | - | 3,963,367 | 3,823,541 |
| College savings bond grants to eligible students | - | 324,060 | 322,220 |
| Nursing education students scholarships | - | 1,284,314 | 1,198,411 |
| Grant awards to eligible full-time and part-time students | - | - | 380,657,809 |
| Loan Repayment for Teachers Program | - | 500,000 | 498,926 |
| Total expenditures | 424,010,450 | 26,264,962 | 425,936,350 |
| Lapsed balances | \$ 1,020,650 | \$ 2,590,038 | \$ 3,268,450 |
| Education Assistance Fund - 007: | | | |
| Appropriations (net after transfers) | \$ - | \$ 400,349,800 | \$ - |
| Expenditures: | | | |
| Veterans' scholarships | - | 19,241,660 | - |
| Monetary award program grant | - | 380,749,747 | - |
| Total expenditures | - | 399,991,407 | - |
| Lapsed balances | \$ - | \$ 358,393 | \$ - |
| Federal Congress Teacher Scholarship Fund - 092: | | | |
| Appropriations (net after transfers) | \$ 3,400,000 | \$ 3,400,000 | \$ 2,200,000 |
| Expenditures: | | | |
| Payment of Byrd Honors scholarships | 1,955,876 | 1,809,465 | 1,571,593 |
| Lapsed balances | \$ 1,444,124 | \$ 1,590,535 | \$ 628,407 |

(Continued)

State of Illinois

Illinois Student Assistance Commission

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued

Years Ended June 30, 2010, 2009 and 2008

| | 2010 P.A. 96-0792 (1) P.A. 96-0046 | 2009 P.A. 95-0734 | 2008 P.A. 95-0348 |
|--|--|----------------------|----------------------|
| Accounts Receivable Fund - 242: | | | |
| Appropriations (net after transfers) | \$ 300,000 | \$ 300,000 | \$ 300,000 |
| Expenditures: | | | |
| Costs of collecting delinquent student scholarships | 192 | 76,088 | 50,958 |
| Lapsed balances | \$ 299,808 | \$ 223,912 | \$ 249,042 |
| Optometric ED Scholarship Fund - 259: | | | |
| Appropriations (net after transfers) | \$ 50,000 | \$ 50,000 | \$ 50,000 |
| Expenditures: | | | |
| Scholarships for eligible students pursuing a graduate degree in optometry | 50,000 | 50,000 | 50,000 |
| Lapsed balances | \$ - | \$ - | \$ - |
| University Grant Fund - 418: | | | |
| Appropriations (net after transfers) | \$ 70,000 | \$ 70,000 | \$ 70,000 |
| Expenditures: | | | |
| Grants to higher education institutions | 68,425 | 53,075 | 51,675 |
| Lapsed balances | \$ 1,575 | \$ 16,925 | \$ 18,325 |
| Federal Student Load Fund - 663: | | | |
| Appropriations (net after transfers) | \$ 290,000,000 | \$ 260,000,000 | \$ 260,000,000 |
| Expenditures: | | | |
| Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements | 235,428,878 | 218,731,660 | 137,336,259 |
| Lapsed balances | \$ 54,571,122 | \$ 41,268,340 | \$ 122,663,741 |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued
 Years Ended June 30, 2010, 2009 and 2008

| | 2010 P.A. 96-0792 (1) P.A. 96-0046 | 2009 P.A. 95-0734 | 2008 P.A. 95-0348 |
|--|--|----------------------|----------------------|
| Student Loan Operating Fund - 664: | | | |
| Appropriations (net after transfers) | \$ 72,977,500 | \$ 77,473,900 | \$ 85,397,600 |
| Expenditures: | | | |
| Personal services | 13,353,951 | 14,916,843 | 14,298,951 |
| State contribution to State Employees' Retirement Fund | 3,792,853 | 3,141,705 | 2,371,489 |
| State contribution to Social Security | 967,874 | 1,086,624 | 1,042,599 |
| State contribution for employees' group insurance | 3,439,436 | 3,825,859 | 3,741,821 |
| Contractual services | 7,390,391 | 9,481,489 | 8,359,818 |
| Collection agency fees | 1,709,090 | 1,867,090 | 2,899,166 |
| Travel | 63,313 | 93,931 | 123,152 |
| Commodities | 119,412 | 100,547 | 104,691 |
| Printing | 92,264 | 129,236 | 88,963 |
| Equipment | 47,638 | 107,758 | 390,601 |
| Telecommunications | 409,682 | 442,841 | 479,663 |
| Operation of automotive equipment | 32,582 | 37,843 | 31,015 |
| Costs associated with Federal Loan System development and maintenance | 18,000 | 911,135 | 1,259,407 |
| Higher education shared services | - | 1,790,415 | 1,750,266 |
| Payment of Federal Default fee | 872,138 | 1,291,912 | 11,733,144 |
| Total expenditures | 32,308,624 | 39,225,228 | 48,674,746 |
| Lapsed balances | \$ 40,668,876 | \$ 38,248,672 | \$ 36,722,854 |
| Contracts and Grants Fund - 677: | | | |
| Appropriations (net after transfers) | \$ 2,500,000 | \$ 1,500,000 | \$ 70,000 |
| Expenditures: | | | |
| Costs to support outreach and training activities | 191,506 | 76,294 | 15,328 |
| Lapsed balances | \$ 2,308,494 | \$ 1,423,706 | \$ 54,672 |
| Federal Student Incentive Trust Fund - 701: | | | |
| Appropriations (net after transfers) | \$ 9,000,000 | \$ 9,200,000 | \$ 3,700,000 |
| Expenditures: | | | |
| College Access Challenge Grants | 2,121,488 | 83,626 | - |
| Grant awards to full-time and part-time students | 3,862,620 | 4,022,605 | 3,700,000 |
| Total expenditures | 5,984,108 | 4,106,231 | 3,700,000 |
| Lapsed balances | \$ 3,015,892 | \$ 5,093,769 | \$ - |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued
 Years Ended June 30, 2010, 2009 and 2008

| | 2010 P.A. 96-0792 (1) P.A. 96-0046 | 2009 P.A. 95-0734 | 2008 P.A. 95-0348 |
|---|--|----------------------|----------------------|
| National Guard Grant and Military Vet Scholarships | | | |
| Fund - 721: | | | |
| Appropriations (net after transfers) | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| Expenditures: | | | |
| Grant awards to full-time and part-time students | - | - | - |
| Lapsed balances | \$ 20,000 | \$ 20,000 | \$ 20,000 |
| IL Future Teacher Corps Scholarships Fund - 753: | | | |
| Appropriations (net after transfers) | \$ 60,000 | \$ 60,000 | \$ 60,000 |
| Lapsed balances | \$ 60,000 | \$ 60,000 | \$ 60,000 |
| <u>Total all funds:</u> | | | |
| Appropriations (net after transfers) | \$ 803,408,600 | \$ 781,278,700 | \$ 781,072,400 |
| Expenditures | 699,998,059 | 690,384,410 | 617,386,909 |
| Lapsed balances | \$ 103,410,541 | \$ 90,894,290 | \$ 163,685,491 |

(Concluded)

(1) Fiscal year 2010 expenditures and related lapsed balances do not reflect any interest payments approved for payment by the Commission and submitted to the Controller for payment after August.

State of Illinois
Illinois Student Assistance Commission
Schedule of Changes in State Property
Two Years Ended June 30, 2010 and 2009
(Amounts expressed in thousands)

| | Balance | | | Balance | | | Balance | | |
|--|--------------|-----------|-----------|---------------|-----------|-----------|---------------|--|--|
| | July 1, 2008 | Additions | Deletions | June 30, 2009 | Additions | Deletions | June 30, 2010 | | |
| Governmental activities: | | | | | | | | | |
| Capital assets not being depreciated: | | | | | | | | | |
| Land | \$ 2,700 | \$ - | \$ - | \$ 2,700 | \$ - | \$ - | \$ 2,700 | | |
| Capital assets being depreciated: | | | | | | | | | |
| Buildings | 18,311 | - | - | 18,311 | - | - | 18,311 | | |
| Equipment | 1,143 | - | (529) | 614 | - | (62) | 552 | | |
| Total capital assets being depreciated | 19,454 | - | (529) | 18,925 | - | (62) | 18,863 | | |
| Less accumulated depreciation: | | | | | | | | | |
| Buildings | (7,555) | (458) | - | (8,013) | (457) | - | (8,470) | | |
| Equipment | (1,142) | - | 529 | (613) | - | 62 | (551) | | |
| Total accumulated depreciation | (8,697) | (458) | 529 | (8,626) | (457) | 62 | (9,021) | | |
| Total capital assets being depreciated, net | 10,757 | (458) | - | 10,299 | (457) | - | 9,842 | | |
| Governmental activity capital assets, net | \$ 13,457 | \$ (458) | \$ - | \$ 12,999 | \$ (457) | \$ - | \$ 12,542 | | |
| Business-type activities: | | | | | | | | | |
| <i>Designated Account Purchase Program:</i> | | | | | | | | | |
| Capital assets being depreciated: | | | | | | | | | |
| Equipment | \$ 514 | \$ 30 | \$ - | \$ 544 | \$ - | \$ - | \$ 544 | | |
| Less accumulated depreciation: | | | | | | | | | |
| Equipment | (497) | (13) | - | (510) | (9) | - | (519) | | |
| Total capital assets being depreciated, net | 17 | 17 | - | 34 | (9) | - | 25 | | |
| <i>Other business-type activities:</i> | | | | | | | | | |
| Capital assets being depreciated: | | | | | | | | | |
| Equipment and automobiles | 883 | 174 | (56) | 1,001 | 13 | 55 | 1,069 | | |
| Less accumulated depreciation: | | | | | | | | | |
| Equipment and automobiles | (747) | (121) | 56 | (812) | (52) | (55) | (919) | | |
| Total capital assets being depreciated, net | 136 | 53 | - | 189 | (39) | - | 150 | | |
| Business-type activities capital assets, net | \$ 153 | \$ 70 | \$ - | \$ 223 | \$ (48) | \$ - | \$ 175 | | |

Note: The above information has been reconciled to reports (Form C-15) submitted to the Office of the Comptroller.

State of Illinois
Illinois Student Assistance Commission
Comparative Schedule of Cash Receipts
Years Ended June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)

| | General Revenue Account | | | Federal Student Loan | | | Federal Student Incentive Trust | | |
|---|-------------------------|--------|--------|----------------------|-----------|-----------|---------------------------------|----------|----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Federal government receipts | \$ - | \$ - | \$ - | \$131,382 | \$133,497 | \$125,496 | \$ 6,053 | \$ 4,023 | \$ 3,483 |
| Other: | | | | | | | | | |
| Collections on defaulted student loans | - | - | - | 39,872 | 39,421 | 37,627 | - | - | - |
| Repurchased student loans | - | - | - | 56,189 | 44,571 | 56,219 | - | - | - |
| Loan processing and issuance fee | - | - | - | - | - | - | - | - | - |
| Repayments and reimbursements of loans | - | - | - | - | - | - | - | - | - |
| Portfolio maintenance fee | - | - | - | - | - | - | - | - | - |
| Federal direct consolidation fee | - | - | - | - | - | - | - | - | - |
| Federal student loan | - | - | - | - | - | - | - | - | - |
| Interfund payments | - | - | - | - | - | - | - | - | - |
| Proceeds from sale of tuition contracts | - | - | - | - | - | - | - | - | - |
| Miscellaneous | 502 | 420 | 487 | - | - | - | - | - | - |
| Total other | 502 | 420 | 487 | 96,061 | 83,992 | 93,846 | - | - | - |
| Total receipts per Comptroller | \$ 502 | \$ 420 | \$ 487 | \$227,443 | \$217,489 | \$219,342 | \$ 6,053 | \$ 4,023 | \$ 3,483 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Comparative Schedule of Cash Receipts - Continued
Years Ended June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)

| | Federal Congressional Teacher Scholarship | | | ISAC Accounts Receivable | | | Optometric Educational Scholarship | | |
|---|--|----------|----------|--------------------------|--------|--------|---------------------------------------|------|------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Federal government receipts | \$ 1,957 | \$ 1,811 | \$ 1,571 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other: | | | | | | | | | |
| Collections on defaulted student loans | - | - | - | - | - | - | - | - | - |
| Repurchased student loans | - | - | - | - | - | - | - | - | - |
| Loan processing and issuance fee | - | - | - | - | - | - | - | - | - |
| Repayments and reimbursements of loans | 1 | 2 | 5 | 24 | 233 | 286 | 1 | 2 | 2 |
| Portfolio maintenance fee | - | - | - | - | - | - | - | - | - |
| Federal direct consolidation fee | - | - | - | - | - | - | - | - | - |
| Federal student loan | - | - | - | - | - | - | - | - | - |
| Interfund payments | - | - | - | - | - | - | - | - | - |
| Proceeds from sale of tuition contracts | - | - | - | - | - | - | - | - | - |
| Miscellaneous | - | - | - | - | - | - | - | - | - |
| Total other | 1 | 2 | 5 | 24 | 233 | 286 | 1 | 2 | 2 |
| Total receipts per Comptroller | \$ 1,958 | \$ 1,813 | \$ 1,576 | \$ 24 | \$ 233 | \$ 286 | \$ 1 | \$ 2 | \$ 2 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Comparative Schedule of Cash Receipts - Continued
Years Ended June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)

| | Contracts and Grants | | | Student Loan Operating | | | Illinois Prepaid Tuition Program | | |
|---|----------------------|------|--------|------------------------|-----------|-----------|-------------------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Federal government receipts | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other: | | | | | | | | | |
| Collections on defaulted student loans | - | - | - | - | - | - | - | - | - |
| Repurchased student loans | - | - | - | - | - | - | - | - | - |
| Loan processing and issuance fee | - | - | - | 1,740 | 2,040 | 4,920 | - | - | - |
| Repayments and reimbursements of loans | - | - | - | - | - | - | - | - | - |
| Portfolio maintenance fee | - | - | - | 4,286 | 4,715 | 6,470 | - | - | - |
| Federal direct consolidation fee | - | - | - | 6,564 | 5,809 | 4,649 | - | - | - |
| Federal student loan | - | - | - | 18,574 | 16,353 | 21,712 | - | - | - |
| Interfund payments | - | - | - | - | - | 27,000 | - | - | - |
| Proceeds from sale of tuition contracts | - | - | - | - | - | - | 111,395 | 127,874 | 134,276 |
| Miscellaneous | - | 4 | 246 | 1,334 | 2,011 | 2,871 | - | - | - |
| Total other | - | 4 | 246 | 32,498 | 30,928 | 67,622 | 111,395 | 127,874 | 134,276 |
| Total receipts per Comptroller | \$ - | \$ 4 | \$ 246 | \$ 32,498 | \$ 30,928 | \$ 67,622 | \$111,395 | \$127,874 | \$134,276 |

(Continued)

State of Illinois
Illinois Student Assistance Commission
Comparative Schedule of Cash Receipts - Continued
Years Ended June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)

| | Illinois Designated Account Purchase Program | | | Total All Funds (memorandum only) | | |
|---|---|----------|----------|--------------------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Federal government receipts | \$ - | \$ - | \$ - | \$139,392 | \$139,331 | \$130,550 |
| Other: | | | | | | |
| Collections on defaulted student loans | - | - | - | 39,872 | 39,421 | 37,627 |
| Repurchased student loans | - | - | - | 56,189 | 44,571 | 56,219 |
| Loan processing and issuance fee | - | - | - | 1,740 | 2,040 | 4,920 |
| Repayments and reimbursements of loans | - | - | - | 26 | 237 | 293 |
| Portfolio maintenance fee | - | - | - | 4,286 | 4,715 | 6,470 |
| Federal direct consolidation fee | - | - | - | 6,564 | 5,809 | 4,649 |
| Federal student loan | - | - | - | 18,574 | 16,353 | 21,712 |
| Interfund payments | 7,126 | 6,097 | 8,535 | 7,126 | 6,097 | 35,535 |
| Proceeds from sale of tuition contracts | - | - | - | 111,395 | 127,874 | 134,276 |
| Miscellaneous | - | - | - | 1,836 | 2,435 | 3,604 |
| Total other | 7,126 | 6,097 | 8,535 | 247,608 | 249,552 | 305,305 |
| Total receipts per Comptroller | \$ 7,126 | \$ 6,097 | \$ 8,535 | \$387,000 | \$388,883 | \$435,855 |

(Concluded)

State of Illinois
Illinois Student Assistance Commission
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
Years Ended June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)

| | General Revenue Account | | | Federal Student Loan | | | Federal Student Incentive Trust | | |
|--------------------------------|-------------------------|--------|--------|----------------------|-----------|-----------|---------------------------------|----------|----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Total receipts per Comptroller | \$ 502 | \$ 420 | \$ 487 | \$227,443 | \$217,489 | \$219,342 | \$ 6,053 | \$ 4,023 | \$ 3,483 |
| Reconciling items: | | | | | | | | | |
| Deposits in-transit - | | | | | | | | | |
| Prior year | - | (24) | (1) | (669) | (1,023) | (732) | - | - | - |
| Current Year | - | - | 24 | 1,071 | 669 | 1,023 | - | - | - |
| Net reconciling items | - | (24) | 23 | 402 | (354) | 291 | - | - | - |
| Receipts per Commission | \$ 502 | \$ 396 | \$ 510 | \$227,845 | \$217,135 | \$219,633 | \$ 6,053 | \$ 4,023 | \$ 3,483 |

(Continued)

State of Illinois

Illinois Student Assistance Commission

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller - Continued

Years Ended June 30, 2010, 2009 and 2008

(Amounts expressed in thousands)

| | Federal Congressional Teacher Scholarship | | | ISAC Accounts Receivable | | | Optometric Educational Scholarship | | |
|--------------------------------|--|----------|----------|--------------------------|--------|--------|------------------------------------|------|------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Total receipts per Comptroller | \$ 1,958 | \$ 1,813 | \$ 1,576 | \$ 24 | \$ 233 | \$ 286 | \$ 1 | \$ 2 | \$ 2 |
| Reconciling items: | | | | | | | | | |
| Deposits in-transit - | | | | | | | | | |
| Prior year | - | - | - | - | (5) | - | - | - | - |
| Current Year | - | - | - | - | - | 5 | - | - | - |
| Net reconciling items | - | - | - | - | (5) | 5 | - | - | - |
| Receipts per Commission | \$ 1,958 | \$ 1,813 | \$ 1,576 | \$ 24 | \$ 228 | \$ 291 | \$ 1 | \$ 2 | \$ 2 |

(Continued)

State of Illinois

Illinois Student Assistance Commission

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller - Continued

Years Ended June 30, 2010, 2009 and 2008

(Amounts expressed in thousands)

| | Contracts and Grants | | | Student Loan Operating | | | Illinois Prepaid Tuition Program | | |
|--------------------------------|----------------------|------|--------|------------------------|-----------|-----------|----------------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Total receipts per Comptroller | \$ - | \$ 4 | \$ 246 | \$ 32,498 | \$ 30,928 | \$ 67,622 | \$111,395 | \$127,874 | \$134,276 |
| Reconciling items: | | | | | | | | | |
| Deposits in-transit - | | | | | | | | | |
| Prior year | - | - | - | (11) | - | - | - | - | - |
| Current Year | - | - | - | - | 11 | - | - | - | - |
| Net reconciling items | - | - | - | (11) | 11 | - | - | - | - |
| Receipts per Commission | \$ - | \$ 4 | \$ 246 | \$ 32,487 | \$ 30,939 | \$ 67,622 | \$111,395 | \$127,874 | \$134,276 |

(Continued)

State of Illinois

Illinois Student Assistance Commission

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller - Continued

Years Ended June 30, 2010, 2009 and 2008

(Amounts expressed in thousands)

| | Illinois Designated Account Purchase Program | | | Total All Funds (memorandum Only) | | |
|--------------------------------|---|----------|----------|--------------------------------------|-----------|-----------|
| | 2010 | 2009 | 2008 | 2010 | 2009 | 2008 |
| Total receipts per Comptroller | \$ 7,126 | \$ 6,097 | \$ 8,535 | \$387,000 | \$388,883 | \$435,855 |
| Reconciling items: | | | | | | |
| Deposits in-transit - | | | | | | |
| Prior year | - | - | - | (680) | (1,052) | (733) |
| Current Year | - | - | - | 1,071 | 680 | 1,052 |
| Net reconciling items | - | - | - | 391 | (372) | 319 |
| Receipts per Commission | \$ 7,126 | \$ 6,097 | \$ 8,535 | \$387,391 | \$388,511 | \$436,174 |

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures
 Years Ended June 30, 2010 and 2009

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

| | 2010 | 2009 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|---|----------------|-----------|----------------------------------|------------------------------|--|
| General Revenue Fund - 001 | | | | | |
| Operational, expenses, awards, grants and permanent improvements | \$ 412,554,155 | \$ - | \$ 412,554,155 | 100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Veteran's home nurses loan repayment | - | 36,343 | (36,343) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Nurse educators loan repayment | - | 377,180 | (377,180) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Scholarships to children of policemen or firemen killed in the line of duty or who are dependents of correctional officers killed or permanently disabled in the line of duty | - | 465,241 | (465,241) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Illinois incentive for access grants | - | 8,062,250 | (8,062,250) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| IL Future Teachers Corps scholarships | - | 3,963,367 | (3,963,367) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| College savings bond grants to eligible students | - | 324,060 | (324,060) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Nursing education students scholarships | - | 1,284,314 | (1,284,314) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Minority Teacher Scholarships | - | 2,662,575 | (2,662,575) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures - Continued
 Years Ended June 30, 2010 and 2009

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

| | 2010 | 2009 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|--|-----------|-------------|----------------------------------|------------------------------|---|
| General Revenue Fund - 001 - Continued | | | | | |
| Matching grants to Illinois institutions | \$ - | \$ 949,979 | \$ (949,979) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| National guard and naval militia scholarships | - | 4,479,653 | (4,479,653) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| IL Scholars scholarships | - | 3,160,000 | (3,160,000) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Loan Repayments for Teachers Program | - | 500,000 | (500,000) | -100% | All line items were appropriated in one lump sum in 2010, but appropriation was done by individual line item in 2009. As such, amounts are not comparable. |
| Education Assistance Fund - 007: | | | | | |
| Veterans' scholarships | - | 19,241,660 | (19,241,660) | -100% | In 2009, veteran's scholarships were paid from the Education Assistance Fund. In 2010, these scholarships were paid from the lump sum appropriation in the General Fund Revenue. |
| Monetary award program grant | - | 380,749,747 | (380,749,747) | -100% | In 2009, monetary award program grants were paid from the Education Assistance Fund. In 2010, these grants were paid from the lump sum appropriation in the General Revenue Fund. |
| Accounts Receivable Fund - 242 | | | | | |
| Costs of collecting delinquent student scholarships | 192 | 76,088 | (75,896) | -100% | Due to external collection agencies netting out collection fees beginning with FY 2010. |
| University Grant Fund - 418: | | | | | |
| Grants to higher education institutions | 68,425 | 53,075 | 15,350 | 29% | Due to an increase in proceeds generated from license plate fees in FY10. |
| Student Loan Operating Fund - 664 | | | | | |
| Personal services | | | | | |
| State contribution to State Employees' Retirement Fund | 3,792,853 | 3,141,705 | 651,148 | 21% | Due to an increase in the required contribution to SERS from 21.1% to 28.4% in FY10. |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures - Continued
 Years Ended June 30, 2010 and 2009

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

| | 2010 | 2009 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|---|-----------|------------|----------------------------------|------------------------------|---|
| Student Loan Operating Fund - 664 (Continued) | | | | | |
| Contractual services | 7,390,391 | 9,481,489 | (2,091,098) | -22% | Due to cost-cutting measures implemented by the agency in FY10. |
| Travel | 63,313 | 93,931 | (30,618) | -33% | Due to cost-cutting measures implemented by the agency in FY10. |
| Printing | 92,264 | 129,236 | (36,972) | -29% | Due to cost-cutting measures implemented by the agency in FY10. |
| Equipment | \$ 47,638 | \$ 107,758 | \$ (60,120) | -56% | Due to cost-cutting measures implemented by the agency in FY10. |
| Costs associated with Federal Loan System development and maintenance | 18,000 | 911,135 | (893,135) | -98% | Due to repayment of Rehabilitation funds from IDAPP in FY09. |
| Higher education shared services | - | 1,790,415 | (1,790,415) | -100% | The appropriation authority was eliminated in FY10. |
| Payment of Federal Default fee | 872,138 | 1,291,912 | (419,774) | -32% | Due to a decrease in percentage of default fees covered by the Student Loan Operating Fund from 50 basis points in FY 2009 to 25 basis points in FY 2010. |
| Contracts and Grants Fund - 677: | | | | | |
| Costs to support outreach and training activities | 191,506 | 76,294 | 115,212 | 151% | Due to an increase in technological application development and support services in FY10. |
| Federal Student Incentive Trust Fund - 701 | | | | | |
| College Access Challenge Grants | 2,121,488 | 83,626 | 2,037,862 | 2437% | The College Illinois! Corp program was implemented in FY 2010 from the College Access Challenge Grant funds. |

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures
 Years Ended June 30, 2009 and 2008

Source: Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

| | 2009 | 2008 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|--|-------------|-------------|----------------------------------|------------------------------|---|
| General Revenue Fund - 001 | | | | | |
| Nurse educators loan repayment | \$ 377,180 | \$ 239,686 | \$ 137,494 | 57% | Due to an increase in total grant award amount in FY09. |
| Veterans' scholarships | - | 19,223,139 | (19,223,139) | -100% | Appropriation authority was in Education Assistance Fund in FY09. |
| Grant awards to eligible full-time and part-time students (MAP awards) | - | 380,657,809 | (380,657,809) | -100% | Appropriation authority was in Education Assistance Fund in FY09. |
| Education Assistance Fund - 007: | | | | | |
| Veterans' scholarships | 19,241,660 | - | 19,241,660 | 100% | Appropriation authority was in General Revenue Fund in FY08. |
| Monetary award program grant | 380,749,747 | - | 380,749,747 | 100% | Appropriation authority was in General Revenue Fund in FY08. |
| Accounts Receivable Fund - 242 | | | | | |
| Costs of collecting delinquent student scholarships | 76,088 | 50,958 | 25,130 | 49% | Due to increase in collections from delinquent student scholarships. |
| Federal Student Loan Fund - 663 | | | | | |
| Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements | 218,731,660 | 137,336,259 | 81,395,401 | 59% | Due to an increase in default rate as a result of the FY09 economic downturn in FY09. This led to a corresponding increase in the payment of lender reimbursements in FY09. |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures - Continued
 Years Ended June 30, 2009 and 2008

Source: Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

| | 2009 | 2008 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|---|--------------|--------------|----------------------------------|------------------------------|---|
| Student Loan Operating Fund - 664 | | | | | |
| State contribution to State Employees' Retirement Fund | \$ 3,141,705 | \$ 2,371,489 | \$ 770,216 | 32% | Due to an increase in required contribution to SERS from 16.6% to 21.1% in FY09. |
| Collection agency fees | 1,867,090 | 2,899,166 | (1,032,076) | -36% | Due to the temporary suspension of the rehabilitation program in FY09. |
| Travel | 93,931 | 123,152 | (29,221) | -24% | Due to cost-cutting measures implemented by the agency in FY09. |
| Printing | 129,236 | 88,963 | 40,273 | 45% | Due to an increase in the printing of outreach brochures in FY09. |
| Equipment | 107,758 | 390,601 | (282,843) | -72% | FY08 was unusually high due to the purchase of more than two hundred (200) computers and related peripherals. |
| Operation of automotive equipment | 37,843 | 31,015 | 6,828 | 22% | Due to an increase in marketing and outreach related travel in FY09. |
| Costs associated with Federal Loan System development and maintenance | 911,135 | 1,259,407 | (348,272) | -28% | Due to data center charges being paid from Contractual Services beginning January 2008. |
| Payment of Federal Default fee | 1,291,912 | 11,733,144 | (10,441,232) | -89% | Due to a decrease in guarantees and also in the percentage of default fees covered by the Student Loan Operating Fund from 100 basis points in FY 2010 to 50 basis points in FY 2009. |

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Variations in Expenditures - Continued
 Years Ended June 30, 2009 and 2008

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

| | 2009 | 2008 | Increase (Decrease) Amount | % of Change Threshold 20% | Explanation |
|---|-----------|-----------|----------------------------------|------------------------------|--|
| Contracts and Grants Fund - 677: | | | | | |
| Costs to support outreach and training activities | \$ 76,294 | \$ 15,328 | \$ 60,966 | 398% | Due to an increase in marketing and outreach related travel, as well as remittance of KnowHow2Go sub-grants in FY09. |
| Federal Student Incentive Trust Fund - 701 | | | | | |
| College Access Challenge Grants | 83,626 | - | 83,626 | 100% | The appropriation authority was created in FY09. |

(Concluded)

State of Illinois
Illinois Student Assistance Commission
Analysis of Significant Variations in Receipts
Years Ended June 30, 2010 and 2009
(Amounts expressed in thousands)

| | 2010 | 2009 | Increase (Decrease) Amount | % of Change Threshold 20% and \$20 | Explanation |
|--|--------|--------|----------------------------------|--|---|
| Accounts Receivable Fund - 242 | | | | | |
| Repayments and reimbursements of loans | \$ 24 | \$ 233 | \$ (209) | -90% | Due to the GRF share of collections being deposited directly in to the GRF beginning FY 2010. |
| Federal Student Loan Fund - 663 | | | | | |
| Repurchased student loans | 56,189 | 44,571 | 11,618 | 26% | Due to an increase in the number of lenders willing to purchase rehabilitated loans. |
| Student Loan Operating - 664 | | | | | |
| Miscellaneous | 1,334 | 2,011 | (677) | -34% | Due to decrease in direct payments received from IDAPP for shared expenses. |
| Federal Student Incentive Trust - 701 | | | | | |
| Federal government receipts | 6,053 | 4,023 | 2,030 | 50% | Due to an increase in total grant award amount in FY10. |

*Source: State of Illinois Office of the Comptroller SB04 reports.

State of Illinois
Illinois Student Assistance Commission
Analysis of Significant Variations in Receipts - Continued
Years Ended June 30, 2009 and 2008
(Amounts expressed in thousands)

| | 2009 | 2008 | Increase (Decrease) Amount | % of Change Threshold 20% and \$20 | Explanation |
|--|-----------|-----------|----------------------------------|--|--|
| Federal Student Loan Fund - 663 | | | | | |
| Repurchased student loans | \$ 44,571 | \$ 56,219 | \$ (11,648) | -21% | Due to a reduction in the number of lenders willing to purchase rehabilitated loans. |
| Student Loan Operating - 664 | | | | | |
| Loan processing and issuance fee | 2,040 | 4,920 | (2,880) | -59% | Due to a decline in guarantees as schools move to Direct Lending and lenders exit the FFELP student loan business. |
| Portfolio maintenance fee | 4,715 | 6,470 | (1,755) | -27% | Due to a decline in guarantees as schools move to Direct Lending and lenders exit the FFELP student loan business. |
| Federal direct consolidation fee | 5,809 | 4,649 | 1,160 | 25% | Due to an increase in loans consolidated with the Dept of Education as a result of a decrease in interest rates. |
| Federal student loan | 16,353 | 21,712 | (5,359) | -25% | Due to a reduction in the number of lenders willing to purchase rehabilitated loans. |
| Interfund payments | - | 27,000 | (27,000) | -100% | Due to proceeds from the sale of IDAPP loans in FY08. |
| Miscellaneous | 2,011 | 2,871 | (860) | -30% | Due to decrease in direct payments received from IDAPP for shared expenses. |
| Contracts and Grants - 677 | | | | | |
| Miscellaneous | 4 | 246 | (242) | -98% | Due to an increase in the amount of grants awarded in FY08. |
| Illinois Designated Account Purchase Program - 1174 | | | | | |
| Interfund payments | 6,097 | 8,535 | (2,438) | -29% | Due to a reduction in the number of IDAPP employees in FY08. |

*Source: State of Illinois Office of the Comptroller SB04 reports.

State of Illinois

Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending

Fourteen Months Ended August 31, 2010

| | Total | Lapse Period | Percent | |
|--|--------------|--------------|-----------------|-------------|
| | Expenditures | Expenditures | of Total | Explanation |
| | | | Threshold > 20% | |

No lapse period spending was over our threshold for FY2010.

State of Illinois
 Illinois Student Assistance Commission
 Analysis of Significant Lapse Period Spending
 Fourteen Months Ended August 31, 2009

| | Total Expenditures | Lapse Period Expenditures | Percent of Total Threshold > 20% | Explanation |
|---|--------------------|---------------------------|----------------------------------|--|
| General Revenue Fund - 001 | | | | |
| Veteran's home nurses loan payments | \$ 36,343 | \$ 10,000 | 28% | The total number of grants awarded in a given fiscal year is contingent upon available funding. If funding is insufficient to pay all eligible applicants, awarding will be based on the date the completed application is received in ISAC's Deerfield office. Preference may be given to renewal applicants provided that the recipient continues to meet the eligibility requirements. The recipient and loan holder shall submit information for eligible educational loans in sufficient time for ISAC to make payments for each year in which the funds are awarded. Applications received after June 30, 2009. Based on the above ISAC rules, payment approval and voucher processing completed during FY09 appropriation lapse period is based on the fact that funding is still available in the program appropriation. |
| Student Loan Operating Fund - 664 | | | | |
| Printing | 129,236 | 52,633 | 41% | A number of printing projects are normally delayed until the end of the legislative season to confirm information for publications (MAP maximum award, new program legislation, etc.). |
| Equipment | 107,758 | 21,829 | 20% | The equipment purchases represent planned procurements to keep reasonably current with technology. The procurements were held until late in the fiscal year to ensure that the fund's total expenditure was within the total internal budget targeted for the year. |
| Costs associated with Federal Loan System development and maintenance | 911,135 | (289,293) | -32% | Refunds that were received during lapse. |
| Federal Student Incentive Trust Fund - 701 | | | | |
| College Access Challenge Grants | 83,626 | 83,626 | 100% | This program was awarded late in FY09. Expenses were not incurred until June 2009, thus actual vouchering of payments to vendors occurred during the lapse period. |

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Significant Balance Sheet Accounts
June 30, 2010, 2009, and 2008
(Amounts expressed in thousands)**

| | 2010 | 2009 | 2008 |
|---------------------------------|------------|------------|------------|
| Cash and equivalents | \$ 114,404 | \$ 176,386 | \$ 134,374 |
| Investments | 1,200,917 | 964,046 | 987,650 |
| Securities lending collateral | 15,406 | 72,331 | 167,529 |
| Tuition payable | 914,437 | 884,485 | 828,100 |
| Accreted tuition payable | 408,593 | 337,369 | 274,306 |
| Securities lending obligation | 15,406 | 77,663 | 170,776 |
| Revenue bonds and notes payable | 1,019,701 | 1,027,300 | 879,441 |
| Lines of credit | 360,174 | 398,947 | 390,770 |

Cash and Equivalents:

The increases (decreases) in the balance of cash and cash equivalents are due mainly to the timing and amount of funds transferred to the investment managers from the Prepaid Tuition Fund.

Investments:

This represents the investment balances of the Prepaid Tuition Program and IDAPP. The Illinois Prepaid Tuition Program investment value depends primarily on market conditions. Additionally investments have increased due to purchases of additional contracts and the corresponding increase in cash receipts from contract purchasers. Investments for the Prepaid Tuition Program have decreased from \$987 in 2008 to \$825 in 2009, and then increased to \$971 in 2010. Changes in IDAPP's investments are due to market conditions and the availability of funds to invest which varies from year to year. IDAPP's investments have increased from \$60 in 2008 to \$139 million in 2009 and \$229 in 2010.

Securities Lending Collateral and Obligations:

As of June 30, 2010, the Prepaid Tuition Fund had exited from the securities lending program. The value of the remaining illiquid trust at U.S. Bank was \$3,429. U.S. Bank also held a corporate bond valued at \$2,237 which was formerly held in the securities liquidating trust. The Plan paid \$9,676 to exit the securities lending program. At year-end, the Illinois Prepaid Tuition Program has no credit risk exposure to borrowers.

Cash collateral received was invested in a securities lending pool, the fair value of which decreased from approximately \$168,000 in 2008 to \$72,000 in 2009 and \$0 in 2010. Liabilities owed to the counterparty (collateral to be returned) decreased from approximately \$171,000 in 2008 to \$78,000 in 2009 and \$0 in 2010.

Cash and cash equivalents in the Commission's non-major proprietary funds namely the Federal Student Loan Fund and the Student Loan Operations Fund consist of deposits held in the State Treasury. The Illinois Office of the Treasurer invests the deposits held and allocates investment income to the two funds on a monthly basis.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Significant Balance Sheet Accounts (Continued)
June 30, 2010, 2009, and 2008
(Amounts expressed in thousands)**

Under the authority of the Treasurer's published investment policy that was developed in accordance with the State statute, the State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank Group to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

Tuition Payable:

This account in the Illinois Prepaid Tuition Program represents amounts received from purchasers of contracts held by the fund. The increase in tuition payable is due to the additional contracts being purchased and cash payments received from existing contract holders for contracts sold on installment plans.

Accreted Tuition Payable:

This account in the Illinois Prepaid Tuition Program represents management's estimate of the present value of the tuition payment to be made in excess of the principal payment (contract amounts) received and is expected to be financed through the investments of tuition contract proceeds. The accretion liability is estimated as a percentage of the tuition payable liability and, therefore, increases as tuition payable increases.

Revenue Bonds and Notes Payable:

This account in the Illinois Designated Account Purchase Program (IDAPP) represents the issuance of student loan revenue bonds and notes. The decrease in the amount outstanding is the result of the retirement of the 2008 Credit Union Student Loan Revenue Bonds netted against the issuance of the 2009 Credit Union Student Loan Revenue Bonds issued during the current year.

Lines of credit:

On July 27, 2007 the Illinois Designated Account Purchase Program (IDAPP) executed a \$500 million mid-term revolving credit agreement through an affiliate of Citibank, CIESCO LLC. The revolving credit line was used to purchase alternative loans and FFELP student loans. Bank of New York is the Trustee for this credit line. IDAPP has also pledged the future student loan revenues of the above described alternative and FFELP loan portfolios to repay the approximately \$355 million principal outstanding on the Citibank credit line. The outstanding balance has increased from approximately \$391,000 in 2008 to \$399,000 in 2009 and decreased to \$355,000 in 2010.

On December 22, 2008, IDAPP executed a \$7 million credit and security agreement with Shorebank. The revolving credit line was used for the purchase or origination of student loans under the Capstone program established in 2007. The credit line currently has a 5% interest rate and matures on December 22, 2010. The agreement was amended on November 12, 2009 and the credit line was reduced to approximately \$5,000 in 2010.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Accounts Receivable
June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)**

Intergovernmental Receivables:

The intergovernmental receivable in the Federal Student Loan Fund represents the reimbursements of claims to be paid by the U.S. Department of Education.

Student Loans Receivable:

IDAPP originated/purchased \$73,000, \$97,000 and \$464,000 of student loans in FY 2010, FY 2009 and FY 2008, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was \$177,000 in 2010, \$217,000 in 2009, and \$202,000 in 2008. For certain loans made under the alternative loan program, IDAPP uses a collection agency to assist in collecting delinquent balances. IDAPP's loan portfolio at year-end is composed of \$788,000 of federally insured FFELP loans and \$312 million in alternative loans. The FFELP portfolio has historically defaulted less than 2% of the total portfolio per year. IDAPP is reimbursed for these loans at either 100% or 97% by the Guarantor agencies. The rate of reimbursement depends on the date of disbursement of the underlying loans and is also influenced by the loan servicers' designation of exceptional performer. For the Alternative Loan portfolio, any loans that become 120 days delinquent are reserved for in the loan loss reserve. At fiscal year-end 2010, 2.5% of the alternative loan portfolio was reserved for estimated loan losses. Included in the student loans balance above is approximately \$13,200 of capitalized loan premiums, \$2,000 of loan acquisition and origination costs and \$1,800 in deferred credits, less \$10,700 allowance for doubtful accounts. The decrease in student loan receivable from prior years is due to the sale of a portion of the student loan portfolio through the Federal Put Program and normal payment activity.

Notes Receivable:

The decrease in notes receivable is related to IDAPP's loan purchases from the School as Lender Program, where the schools use the proceeds to pay back the funds advanced under the notes receivable. Additional disbursements for new loans under the program have ceased.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Accounts Receivable (Continued)
June 30, 2010, 2009 and 2008
(Amounts expressed in thousands)**

Accrued Interest on Loans and Notes:

Accrued interest on loans and notes is down in both 2010 and 2009 when compared to 2008. The variable interest rates on student loans decreased from 3.61% to 1.88% for school FFELP loans 4.21% to 2.48% for repayment FFELP loans, and from 5.01% to 3.10% for Plus loans. In addition to the decrease in the variable rates, all new loans after 07/01/06 carried a life of loan fixed rate of 6.8% for FFELP loans and 8.5% for Plus loans. The subsidized loan rates for undergraduates were decreased to 6% and 5.6% on 07/01/08 and 07/01/09, respectively. The interest rate for graduates and unsubsidized Stafford loans remained at 6.8%.

Federal Special Allowance and Interest Subsidy:

Due to the introduction of Excess Interest Recapture (Negative Special Allowance Payments) combined with the historic lows in the commercial paper rates, the traditional federal interest benefit and special allowance payment receivable has converted into a payable for FY09 and FY10.

The increase to this payable can be attributed to the 1.73% decrease in the base rate for the loans subject to Excess Interest. As the base decreases the spread between what is earned in interest and the base increases, thus a greater amount is subject to recapture.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Years Ended June 30, 2010 and 2009**

Agency Functions and Planning Program

Commission Organization

The Illinois Student Assistance Commission (ISAC or Commission) is a part of the executive branch of government of the State of Illinois. ISAC operates under a budget approved by the General Assembly in which resources are appropriated for the use of ISAC. Activities of ISAC are subject to the authority of the Office of the Governor, the State's Chief Executive Officer, and other departments of the executive branch of government (such as the Department of Central Management Services, the Governor's Office of Management and Budget, the State Treasurer's Office, and the State Comptroller's Office) as defined by the Illinois General Assembly. All funds appropriated to ISAC and all other cash received are under the custody and control of the State Treasurer. The Illinois Designated Account Purchase Program (IDAPP) and the ISAC Certificate of Participation (COP) Debt Service Funds are either under control of the Commission or its trustee.

ISAC was established through the Higher Education Student Assistance Act in 1957. Ten persons are appointed by the Governor to serve as Commission members without compensation for a term of six years, except for one member who serves for a term of two years. Mr. Andrew Davis is the current Executive Director of the Commission. His office is at 1755 Lake Cook Road in Deerfield. The Commission's operations office is also at 1755 Lake Cook Road in Deerfield, with additional offices located at 500 West Monroe in Springfield and 100 West Randolph in Chicago.

The Commission was created to establish and administer a system of financial assistance, through loan guarantees; scholarships and grant awards; and a prepaid tuition program for residents of the State to enable them to attend qualified public or private institutions of their choice within Illinois. The Commission fulfills this purpose by administering the following programs:

Monetary Award Program

This program was created to provide financial assistance to qualifying students who are residents of the State of Illinois and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to \$4,968 in fiscal years 2009 and 2010 for the payment of tuition and mandatory fees. The program was funded by the General Revenue Fund in FY10 and by the Education Assistance fund in FY09.

Illinois Incentive for Access Program

The Illinois Incentive for Access (IIA) Program provides grant assistance to freshmen who have limited financial resources with which to pay for college. The purpose of the program is to provide access and retention for this population while reducing their loan debt. A qualified applicant may receive a one-time \$500 grant.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Years Ended June 30, 2010 and 2009**

Agency Functions and Planning Program (Continued)

State Scholar Program

This program was created to publicly and personally identify graduating high school seniors who possess superior academic potential based on their college entrance exam scores and high school records. Students named State Scholars are awarded a Certificate of Achievement. No financial assistance is awarded by the Commission through this program.

Robert C. Byrd Honors Scholarship Program

This federally funded program was created to provide scholarships of up to \$1,500 per year to academically exceptional high school graduates for undergraduate study at approved U.S. colleges and universities.

Ancillary Award Programs

The following Ancillary Award programs, funded by the General Revenue Fund, supplement the scholarship and grant programs listed above:

- Bonus Incentive Grant – Illinois College Savings Bonds
- Grant Program for Dependents of Correctional Officers
- Grant Program for Dependents of Police or Fire Officers
- Illinois Future Teacher Corps Program
- Illinois National Guard and Naval Militia Grant
- Illinois Special Education Teacher Tuition Waiver Program
- Illinois Veteran's Grant
- Minority Teachers of Illinois Scholarship Program
- Student to Student Program of Matching Grants
- Teacher/Child Care Loan Forgiveness Program
- Nurse Educator Scholarship Program
- Nurse Educator Loan Repayment Program
- Veteran's Home Nursing Loan Repayment Program
- Optometric Education Scholarship Program

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Years Ended June 30, 2010 and 2009**

Agency Functions and Planning Program (Continued)

Federal Family Education Loan Program (FFELP)

This program is designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payment to lenders for defaulted loans. This program is federally funded through the United States Department of Education.

The Higher Education Act of 1965 (HEA) as amended by the Higher Education Amendments of 1998 (Pub.L. 105-244) required the agency to establish two new funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF). ISAC established these funds as of October 1, 1998.

The FSLF accounts for federal government program activities operated and maintained by ISAC. Section 422A(d) of the HEA allows the FSLF to be used primarily to pay lender claims and default aversion fees to ISAC's Student Loan Operating Fund. ISAC uses the funds in the SLOF, along with the State's General Revenue Fund's administration appropriation (if any), for its operating expenses. The SLOF is the State's earned activities and is administered by ISAC.

Alternative Loan Program

In order to make post-secondary educational opportunities more accessible for qualified students, ISAC offers a program of "Alternative Loans" to supplement existing federal and state student financial assistance programs.

Illinois College Accounts Network

This program is a savings and investment plan which provides tax incentives for Illinois residents to begin saving for their children's college education. Although new accounts are no longer available, accounts previously opened under the plan are maintained.

Higher Education License Plate Grant Program

Working with the Secretary of State, participating public universities, community colleges and not-for-profit private colleges and universities in Illinois can have specialized collegiate license plates issued for their schools. Of the \$75 fee charged for these specialized plates, \$25 is used to fund a grant program called the Higher Education License Plate (HELP) Grant Program.

Each participating public university and community college administers its own scholarship program using the funds received directly from the license plate fees. Participating private institutions receive their funding from an appropriation to ISAC in which proceeds generated by the license plate fee are deposited into the University Grant Fund, a special fund in the State Treasury.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Years Ended June 30, 2010 and 2009**

Agency Functions and Planning Program (Continued)

Higher Education License Plate Grant Program (Continued)

ISAC annually seeks appropriation authority to disburse these collected funds to the participating schools. Eligibility for HELP Grants is based on need, and grants can be used to pay tuition and fees up to a maximum grant of \$2,000. By statute, funds must be used to support students who attend the institutions which generate the license plate revenue.

College Illinois!®

In November 1997 the General Assembly and the Governor approved legislation authorizing ISAC to administer an Illinois prepaid tuition program. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois prepaid tuition contracts allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at current program prices, which are considerably less than projected future college costs. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. The Illinois Prepaid Tuition Program has been named College Illinois!® and is reported as a proprietary fund.

Illinois Designated Account Purchase Program (IDAPP)

IDAPP is a secondary market offering a variety of services primarily to lenders who originate loans guaranteed by the Commission. It is reported as a proprietary fund.

IDAPP facilitates lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders face. One of the major incentives offered by IDAPP is that the Commission takes over servicing of the loan after it is purchased from the lender. Sales of loans to the Commission give lenders the capital to make new and renew loans.

Capital to support IDAPP student loan purchases is funded through the sale of revenue notes and bonds. The student loan collections or the U.S. Department of Education's guarantees are used to pay the debt service on the notes and bonds.

Commission Planning Program

The Commission's internal planning program includes several levels of planning. The Commission has established mission and departmental goals, which are a statement of its primary aims, and continuing, long-term key results areas. It serves as the focus for departmental planning and links program and organizational planning.

In addition, the Commission is required to file various reports, both quarterly and annually, with the U.S. Department of Education (DOE). These reports address the performance effectiveness of certain programs administered by DOE and provide the Commission with a useful planning mechanism.

State of Illinois
Illinois Student Assistance Commission
Average Number of Employees
Years Ended June 30, 2010, 2009 and 2008

The average number of full-time equivalent employees shown below was computed by the Commission using employment listings at the end of each month.

| Division | 2010 | 2009 | 2008 | Increase / (Decrease) | |
|---|-------------------|-------------------|-------------------|-----------------------|--------------------|
| | | | | 2010 | 2009 |
| Executive | 39 | 39 | 40 | - | (1) |
| Public Service ¹ | - | 31 | 14 | (31) | 17 |
| Marketing and Communications | 17 | - | - | 17 | - |
| College Access and Outreach | 17 | - | - | 17 | - |
| Sub-total | <u>34</u> | <u>31</u> | <u>14</u> | <u>3</u> | <u>17</u> |
| Program Services and Compliance | 55 | 63 | 76 | (8) | (13) |
| Business and Financial Services | | | | | |
| Claims and Collections | 66 | 67 | 77 | (1) | (10) |
| Accounting Services | 41 | 48 | 53 | (7) | (5) |
| Sub-total | <u>107</u> | <u>115</u> | <u>130</u> | <u>(8)</u> | <u>(15)</u> |
| Management Information Services | 41 | 49 | 57 | (8) | (8) |
| Human Resources | 6 | 8 | 8 | (2) | - |
| Administrative Services | 13 | 15 | 15 | (2) | - |
| Total full-time employees* | <u>295</u> | <u>320</u> | <u>340</u> | <u>(25)</u> | <u>(20)</u> |
| Full-time equivalent part-time employees* | 4 | 3 | 7 | 1 | (4) |
| IDAPP | <u>62</u> | <u>76</u> | <u>100</u> | <u>(14)</u> | <u>(24)</u> |
| Total Employees | <u><u>361</u></u> | <u><u>399</u></u> | <u><u>447</u></u> | <u><u>(38)</u></u> | <u><u>(48)</u></u> |

¹ Effective July 2009, Public Service division was separated into two (2) new divisions: Marketing & Communications and College Access & Outreach.

*Source: Monthly Personnel Listing Report - for years ended June 30, 2010, 2009 and 2008.

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2010 and 2009 (Unaudited)

| Program | 2010 Recipients/Students Dollars Awarded Average Award | 2009 Recipients/Students Dollars Awarded Average Award | 2008 Recipients/Students Dollars Awarded Average Award | 2010 % Change | 2009 % Change | Description/Highlights |
|---|---|---|---|-------------------------------|-------------------------------|--|
| Bonus Incentive Grant | 262 \$206,440 \$788 | 367 \$324,060 \$883 | 427 \$322,220 \$755 | -28.61% -36.30% -10.76% | -14.05% 0.57% 16.95% | Non-need based grants awarded to holders of Illinois college savings bonds. The proceeds of bonds are used for educational instruction purposes. |
| Higher Ed License Plate Program (HELP) | 274 \$68,425 \$250 | 212 \$53,075 \$250 | 207 \$51,675 \$250 | 29.25% 28.92% 0.00% | 2.42% 2.71% 0.00% | A grant program funded by fees charged for specialized collegiate license plates by colleges and universities in Illinois. |
| Illinois National Guard and Naval Militia Grant Program | 1,931 \$4,729,651 \$2,449 | 1,403 \$4,796,653 \$3,419 | 1,897 \$4,469,701 \$2,330 | 37.63% -1.40% -28.37% | -26.04% 7.31% 46.74% | An entitlement program for members of the Illinois National Guard and Naval Militia. |
| IL Teachers and Child Care Providers Loan Repayment Program | 116 \$494,702 \$4,265 | 114 \$499,974 \$4,836 | 111 \$498,426 \$4,490 | 1.75% -1.05% -11.81% | 2.70% 0.31% 7.71% | A matching grant program to the federal Teacher Loan Forgiveness Program for teachers and child care providers. |
| Nurse Educator Loan Repayment Program | 62 \$300,000 \$4,839 | 77 \$377,181 \$4,898 | 54 \$239,686 \$4,439 | -19.48% -20.46% -1.20% | 42.59% 57.36% 10.34% | A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois. |
| Veterans Home Nursing Loan Repayment Program | 9 \$20,141 \$2,238 | 11 \$20,000 \$1,818 | 18 \$44,313 \$2,462 | -18.18% 0.71% 23.10% | -38.89% -54.87% -26.16% | A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois Veterans' Homes. |
| Illinois Veterans' Grant | 11,450 \$16,812,105 \$1,468 | 11,372 \$19,241,660 \$1,692 | 11,462 \$19,223,139 \$1,677 | 0.69% -12.63% -13.24% | -0.79% 0.10% 0.89% | An entitlement program for Illinois veterans. |
| Monetary Award Program | 141,380 \$390,465,310 \$2,762 | 144,230 \$383,892,090 \$2,662 | 145,543 \$380,657,809 \$2,637 | -1.98% 1.71% 3.76% | -0.90% 0.85% 0.95% | Second largest need-based program in the nation (1994). |

Information was obtained from the Commission's Data Book.

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2010 and 2009 (Unaudited)

| Program | 2010 Recipients/Students Dollars Awarded Average Award | 2009 Recipients/Students Dollars Awarded Average Award | 2008 Recipients/Students Dollars Awarded Average Award | 2010 % Change | 2009 % Change | Description/Highlights |
|---|---|---|---|-------------------------------|----------------------------|--|
| Police/Fire Officers' Survivor Program and Grant Program for Dependents of Correctional Officers | 86 \$710,191 \$8,258 | 70 \$465,241 \$6,646 | 77 \$469,426 \$6,096 | 22.86% 52.65% 24.26% | -9.09% -0.89% 9.02% | This program pays tuition for spouses and children of police and firefighters killed in the line of duty. |
| Silas Purnell Illinois Incentive for Access Grant Program (IIA) | 18,874 \$4,718,500 \$250 | 19,897 \$7,932,000 \$399 | 21,335 \$8,154,750 \$392 | -5.14% -40.51% -37.34% | -6.74% -2.73% 1.79% | A need based grant program for freshman applicants who have no financial resources for college. |
| Student to Student Program of Matching Grants | 3,012 \$948,280 \$315 | 3,248 \$949,979 \$292 | 3,028 \$949,994 \$314 | -7.27% -0.18% 7.88% | 7.27% 0.00% -7.01% | An institutional need-based grant program for undergraduate students. |
| Illinois Future Teacher Corp Scholarship Program | 121 \$872,992 \$7,215 | 518 \$3,563,367 \$6,879 | 549 \$3,823,541 \$6,965 | -76.64% -75.50% 4.88% | -5.65% -6.80% -1.23% | This program provides scholarships of up to a maximum \$5,000 per academic year. Must teach in Illinois for one year for each year of scholarship assistance received. Teachers in designated teacher shortage areas can receive up to \$10,000. |
| Illinois Scholars (Golden Apple) | 341 \$3,959,590 \$11,612 | 336 \$3,300,000 \$9,821 | 342 \$3,160,000 \$9,240 | 1.49% 19.99% 18.24% | -1.75% 4.43% 6.29% | A scholarship program for recruiting students into teaching careers. |
| Minority Teachers of Illinois Scholarship Program | 459 \$2,143,821 \$4,671 | 558 \$2,662,575 \$4,772 | 589 \$2,724,434 \$4,626 | -17.74% -19.48% -2.12% | -5.26% -2.27% 3.16% | This program awards up to \$5,000 to minority students who agree to teach for at least one year, under specified conditions. |
| Nurse Educator Scholarship Program | 37 \$532,070 \$14,380 | 75 \$1,284,314 \$17,124 | 79 \$1,198,411 \$15,217 | -50.67% -58.57% -16.02% | -5.06% 7.17% 12.53% | A scholarship program for students pursuing a graduate nursing degree in Illinois. |

Information was obtained from the Commission's Data Book.

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2010 and 2009 (Unaudited)

| Program | 2010 Recipients/Students Dollars Awarded Average Award | 2009 Recipients/Students Dollars Awarded Average Award | 2008 Recipients/Students Dollars Awarded Average Award | 2010 % Change | 2009 % Change | Description/Highlights |
|--|---|---|---|-------------------------------|-------------------------------|--|
| Optometric Education Scholarship Program | 10 \$50,000 \$5,000 | 10 \$50,000 \$5,000 | 10 \$50,000 \$5,000 | 0.00% 0.00% 0.00% | 0.00% 0.00% 0.00% | A scholarship program for students pursuing a graduate optometry degree in Illinois. |
| Robert C. Byrd Honors Scholarship Program | 1,322 \$1,955,875 \$1,479 | 1,224 \$1,809,465 \$1,478 | 1,067 \$1,598,468 \$1,498 | 8.01% 8.09% 0.07% | 14.71% 13.20% -1.34% | This program provides scholarships of up to \$1,500 for a maximum of four academic years to academically exceptional high school graduates. |
| Federal Stafford Loans Subsidized | 33,682 \$145,771,111 \$4,327 | 35,155 \$175,772,783 \$5,000 | 104,472 \$496,430,537 \$4,751 | -4.19% -17.07% -13.46% | -66.35% -64.59% 5.24% | Low interest loan program. Both subsidized (need based) and non-subsidized loans are made available to students. |
| Unsubsidized | 33,259 \$16,638,225 \$500 | 41,227 \$205,093,896 \$4,975 | 78,294 \$447,623,056 \$5,717 | -19.33% -91.89% -89.95% | -47.34% -54.18% -12.98% | |
| Federal Plus Loans Undergraduate Program | 3,098 \$31,798,789 \$10,264 | 3,237 \$35,334,451 \$10,916 | 11,223 \$129,192,800 \$11,511 | -4.29% -10.01% -5.97% | -71.16% -72.65% -5.17% | |
| Graduate Program | 853 \$8,617,976 \$10,103 | 896 \$10,181,795 \$11,364 | 4,238 \$58,220,505 \$13,738 | -4.80% -15.36% -11.10% | -78.86% -82.51% -17.28% | A need-based program designed to assist either parents of dependent undergraduate students, or graduate students. The program for graduate students was implemented in 2007. |

Information was obtained from the Commission's Data Book.

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Annual Cost Statistics - By Activity - Continued
 Two Years Ended June 30, 2010 and 2009 (Unaudited)

| Program | 2010 Recipients/Students Dollars Awarded Average Award | 2009 Recipients/Students Dollars Awarded Average Award | 2008 Recipients/Students Dollars Awarded Average Award | 2010 % Change | 2009 % Change | Description/Highlights |
|---|---|---|---|----------------------------------|-------------------------------|---|
| UnLoan Consolidation Loan Program | (19) (\$625,406) \$0 | 24 \$3,509,703 \$146,238 | 3,536 \$82,891,241 \$23,442 | -179.17% -117.82% -100.00% | -99.32% -95.77% 523.83% | Combined various educational loans into one manageable loan, allowing borrowers to make one monthly payment. |
| College Illinois!® Capstone Loan Program | 798 \$2,692,405 \$3,374 | 867 \$4,619,750 \$5,328 | 748 \$3,237,687 \$4,328 | -7.96% -41.72% -36.67% | 15.91% 42.69% 23.11% | Alternative loan program offering incentives to Illinois borrowers pursuing careers in lower-paying jobs (e.g., teachers, social workers) that are crucial to the welfare of the citizens of Illinois. |
| Illinois Designated Account Purchase Program | 9,276 \$97,475,980 \$10,508 | 6,967 \$105,719,180 \$15,174 | 100,633 \$449,689,532 \$4,469 | 33.14% -7.80% -30.75% | -93.08% -76.49% 239.57% | ISAC's secondary market purchases student loans from lenders relieving them of administrative duties, and increasing access to student loans as more lenders are inclined to participate in the Federal Financial Loan Program. |
| Illinois State Scholar Program | 19,331 | 19,331 | 18,178 | 0.00% | 6.34% | An honorary program (no monetary value) to recognize academic achievement in high school. |
| Illinois Special Education Teacher Tuition Waiver Program | 244 | 243 | 240 | 0.41% | 1.25% | This program exempts tuition and fees, at eligible Illinois public universities, for students pursuing a career in special education in Illinois. |

Information was obtained from the Commission's Data Book.

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Investment Management Fees
 Year Ended June 30, 2010

| Investment Manager | Investment Management Fees | Percentage of Average Portfolio |
|-------------------------------------|----------------------------------|---------------------------------------|
| Alinda Infrastructure Fund II | \$ 434,222 | 5.01 % |
| Galliard Capital Management | 120,476 | 0.16 |
| Income Research & Management | 166,585 | 0.27 |
| LSV Asset Management | 381,184 | 0.70 |
| Portfolio Advisors Secondary Fund | 230,051 | 7.06 |
| JP Morgan Airro | 878,186 | 9.24 |
| Morgan Stanley | 89,260 | 2.38 |
| Camelot Acquisitions Secondary Fund | 294,340 | 0.00 |
| C.S. McKee | 152,694 | 0.20 |
| Pugh Capital | 93,061 | 0.24 |
| Piedmont Investment Advisors | 94,497 | 0.28 |
| Rhumblin Advisers | 68,696 | 0.04 |
| State Street | 92,807 | 0.05 |
| Security Capital Research | 439,519 | 0.45 |
| Total | \$ 3,535,578 | 0.43 % |

State of Illinois
Illinois Student Assistance Commission
Schedule of Investment Management Fees
Year Ended June 30, 2009

| Investment Manager | Investment Management Fees | Percentage of Average Portfolio |
|------------------------------|-----------------------------------|--|
| Denver Investment Advisors | \$ 111,387 | 0.29 % |
| Galliard Capital Management | 128,990 | 0.16 |
| Income Research & Management | 158,975 | 0.20 |
| LSV Asset Management | 500,329 | 0.61 |
| Nicholas Applegate | 130,207 | 0.32 |
| C.S. McKee | 150,140 | 0.20 |
| Pugh Capital | 79,120 | 0.25 |
| Piedmont Investment Advisors | 90,555 | 0.30 |
| Rhumblin Advisers | 72,776 | 0.04 |
| Great Lakes Advisors | 90,568 | 0.32 |
| Earnest Partners | 60,387 | 0.20 |
| State Street | 75,863 | 0.04 |
| Total | \$ 1,649,297 | 0.19 % |

**State of Illinois
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)
Two Years Ended June 30, 2010 and 2009**

Mission Statement: To reduce financial barriers to post-secondary education for students who might otherwise be prohibited from attending college and to assist specific segments of the Illinois population with college costs.

- Program Goals:**
1. Provide equal educational opportunity to post-secondary education of Illinois citizens.
- Objectives:**
- a. Grant dollars awarded per staff positions enrollment will increase at least as much as the mean weighted increases in tuition fees.
 - b. The administrative to program dollar ratio will not fall below a level sufficient to support the successful and timely delivery of program dollars to qualified recipients.
 2. Improve college affordability for low and middle-income families.
 - a. Need-based grant aid as a proportion of college costs will increase annually.
 - b. The average constant dollar taxable income of Monetary Award Program (MAP) eligible students and families will increase annually.
 3. Reward military service as well as a recruitment incentive for the Illinois National Guard.
 - a. The number of students utilizing the National Guard Grant Program will remain equal to 18,000 per year, or increase.
 4. Recognize and reward academic achievement of Illinois high school seniors.
 - a. The number of students recognized through the Merit Recognition Scholarship Program (MRSP) will remain constant or increase.
 5. Increase the number of teachers and workers in designated shortage fields.
 - a. The number of students receiving scholarships to pursue careers in worker shortage areas will increase annually.

| | Fiscal Year 2009 Actual | | Fiscal Year 2010 Actual | |
|--|----------------------------|---|----------------------------|---|
| Input Indicators | | | | |
| Total expenditures - all sources (in thousands) | \$ 439,701 | | \$ 439,609 | |
| Total expenditures - state appropriated funds (in thousands) | \$ 439,701 | | \$ 439,609 | |
| Average monthly full-time equivalent employees | 68 | | 34 | |
| Output Indicators | | | | |
| Number of students receiving MAP awards | 144,230 | | 141,380 | |
| Number of students benefiting from service programs | 12,845 | | 13,041 | |
| Number of students participating in teacher and worker shortage programs | 1,708 | | 1,411 | |
| Number of applications filed | 661,621 | | 773,930 | |
| Number of students receiving MRSP awards | - | | - | |
| Outcome Indicators | | | | |
| Grant aid as a proportion of tuition and fees | 24 | % | 24 | % |
| Grant aid per undergraduate full-time equivalent students (in dollars) | \$ 892 | | \$ 868 | |
| Percentage of undergraduates at Illinois colleges receiving state need-based aid | 28 | % | 26 | % |
| Proportion of merit award winners attending in-state schools | N/A | | N/A | |
| Average taxable income of families eligible for MAP grants (in dollars) | \$ 22,322 | | \$ 22,750 | |
| External Benchmarks | | | | |
| National ranking of maximum award | 13 | | 17 | |
| National ranking of need-based aid per undergraduate student (in dollars) | 6 | | 6 | |
| National ranking of total grant dollars per population aged 18-24 | 16 | | 16 | |
| National ranking of student aid as a percentage of Higher Education budget | 12 | | 12 | |
| Efficiency/Cost-Effectiveness Indicators | | | | |
| Proportion of General Revenue Fund administrative spending per \$ awarded | 1.70 | % | 1.00 | % |

**State of Illinois
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)
Two Years Ended June 30, 2010 and 2009**

Mission Statement: To facilitate the delivery of low-interest loans to students and their families by administering the Federal Family Education Loan Program (FFELP) and to improve student access to loans.

- Program Goals:**
1. Provide an efficient means for students and schools to apply for and receive loan funds from participating lenders.
 - a. Borrower satisfaction ratings will continue to show satisfaction with ISAC services.
 2. Counsel and educate student borrowers who are delinquent on their loan payments.
 - a. ISAC's default rates will stay below the national average.
 3. Collect outstanding loan balances from defaulted borrowers.
 - a. Collections on individual defaulted accounts will be optimized.
 4. Provide loan funds to an increasing number of students through institutions that collaborated with both the Illinois guaranty agency and the secondary market.
 - a. An increasing number of Illinois students who need to use loans to finance their college education will obtain them from ISAC.

| | <u>Fiscal Year 2009 Actual</u> | <u>Fiscal Year 2010 Actual</u> |
|--|------------------------------------|------------------------------------|
| Input Indicators | | |
| Total expenditures - all sources (in thousands) | \$ 245,979 | \$ 256,200 |
| Total expenditures - state appropriated funds (in thousands) | \$ 245,979 | \$ 256,200 |
| Average monthly full-time equivalent employees | 229 | 164 |
| Output Indicators | | |
| Number of loans guaranteed | 107,230 | 81,621 |
| Dollar value of new loan guarantees (in millions) | \$ 528.8 | \$ 352.6 |
| Number of defaults averted | 77,409 | 83,362 |
| Dollar value of default collections (in millions) | \$ 84.0 | \$ 96.1 |
| Outcome Indicators | | |
| Number of defaults | 32,090 | 33,755 |
| Percent of Illinois student loans guaranteed by ISAC | 14 % | 9 % |
| Percent of delinquent accounts resolved | 71 % | 71 % |
| Borrower satisfaction ratings | 76 % | 76 % |
| Efficiency/Cost-Effectiveness Indicators | | |
| Cost per dollar guaranteed (in dollars) | \$ 0.08 | \$ 0.08 |
| Costs per dollar collected (in dollars) | \$ 0.14 | \$ 0.08 |

**State of Illinois
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)
Two Years Ended June 30, 2010 and 2009**

Mission Statement: To encourage and better enable Illinois families to finance the cost of higher education.

- Program Goals:**
1. Increase the number of families purchasing College Illinois! Contracts.
 - a. The number of families participating in College Illinois! and the amount of contracts administered shall increase each year.
 2. Expand outreach efforts to meet the informational needs of prospective purchasers.
 - a. The effectiveness of program promotional efforts will improve each year.
- Objectives:**

| | Fiscal Year 2009 Actual | | Fiscal Year 2010 Actual | |
|--|----------------------------|---|----------------------------|---|
| Input Indicators | | | | |
| Total expenditures - all sources (in thousands) | \$ 6,943 | | \$ 7,686 | |
| Average monthly full-time equivalent employees | 8 | | 13 | |
| Output Indicators | | | | |
| College Illinois! contracts purchased (excluding cancellations) | 3,669 | | 2,166 | |
| Cumulative College Illinois! contracts purchased | 66,195 | | 68,361 | |
| Total Internet site visits (through enrollment period) | 1,097,830 | | 960,000 | |
| Total phone calls (through enrollment period) | 4,156 | | 2,543 | |
| Total TV/Radio ads aired | 20,734 | | 15,413 | |
| Total newspaper articles | 110 | | 185 | |
| Total number of news reports | 210 | | 213 | |
| Annual contract sales (in millions) | \$ 129 | | \$ 82 | |
| Outcome Indicators | | | | |
| Percent of population covered by marketing efforts | 98 | % | 98 | % |
| Minority beneficiaries as a percent of total contracts | 18 | % | 18 | % |
| Estimated years of college purchased | 8,436 | | 5,164 | |
| Cumulative years of college purchased | 200,148 | | 205,865 | |
| External Benchmarks | | | | |
| College Illinois! National rank among other prepaid tuition programs | 7 | | 7 | |
| Efficiency/Cost-Effectiveness Indicators | | | | |
| Media cost per contract (in dollars) | \$ 266 | | \$ 304 | |
| Total marketing cost per contract (in dollars) | \$ 409 | | \$ 554 | |