

# State of Illinois Illinois Student Assistance Commission

Compliance Examination  
For the Two Years Ended June 30, 2014

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

**State of Illinois  
Illinois Student Assistance Commission  
Compliance Examination  
For the Two Years Ended June 30, 2014**

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**State of Illinois  
Illinois Student Assistance Commission**

**Agency Officials**

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Executive Director	Eric Zarnikow
Chief Financial Officer	Shoba Nandhan
Chief Investment Officer	Kent Custer
General Counsel (04/16/14 to present)	Karen Salas
Acting General Counsel (10/12/13 to 04/16/14)	Karen Salas
General Counsel (through 10/11/13)	Annie Pike

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

March 4, 2015

McGladrey LLP  
20 North Martingale Road, Suite 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 Illinois Student Assistance Commission (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, 2014. Based on this evaluation, to the best of our knowledge, we assert that during the years ended June 30, 2013 and June 30, 2014, 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**

 3/6/15  
Eric Zarnikow, Executive Director

 03/05/2015  
Shoba Nandhan, Chief Financial Officer

 3/9/15  
Karen Salas, General Counsel

isac.org

1755 Lake Cook Road  
Deerfield, IL 60015-5209

500 West Monroe  
Springfield, IL 62704-1876

100 West Randolph Suite 3-200  
Chicago, IL 60601-3219

**State of Illinois  
Illinois Student Assistance Commission**

**Compliance Report Summary**

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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	6	14
Repeated findings	4	6
Prior recommendations implemented or not repeated	10	11

**Schedule of Findings**

Item No.	Page	Description	Finding Type
<b>FINDINGS (GOVERNMENT AUDITING STANDARDS)</b>			
2014-001	12	Debt Covenant Violation	Noncompliance
<b>FINDINGS (STATE COMPLIANCE)</b>			
2014-002	13	Failure to Comply with the Open Meetings Act	Significant Deficiency and Noncompliance
2014-003	14	Employee Performance Evaluations Not Completed Timely	Significant Deficiency and Noncompliance
2014-004	15	Lack of Compliance Reviews over Monetary Award Program Funds	Significant Deficiency and Noncompliance
2014-005	17	Failure to Request Funding From the General Assembly	Significant Deficiency and Noncompliance
2014-006	20	Missing Information in Golden Apple Foundation Report	Significant Deficiency and Noncompliance

**State of Illinois  
Illinois Student Assistance Commission**

**Compliance Report Summary**

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**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.

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
2014-001	12	Debt Covenant Violation	Noncompliance
PRIOR FINDINGS NOT REPEATED			
A	22	Budget Not Properly Approved	
B	22	Failure to Comply with the Identity Protection Act	
C	22	Contract Creation and Execution	
D	22	Contracts and Late Filing Affidavits Not Filed Timely	
E	22	Inadequate Controls over Master Requisitions	
F	23	Incomplete and Inaccurate Information on Agency Workforce Report	
G	23	Omission of Analytical Factors from Monetary Award Program Assessment	
H	23	Distribution of Grant Awards in Excess of Allowable Amounts	
I	23	Delinquent Reporting of Revenue Bonds	
J	23	Failure to Establish College Savings Program	

**Exit Conference**

The State compliance findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on February 24, 2015. Attending were:

Illinois Student Assistance Commission

Eric Zarnikow	Executive Director
Shoba Nandhan	Chief Financial Officer
Karen Salas	General Counsel
Kishor Desai	Director-Internal Audit
Ranmath Cidambi	Managing Director-IT
Carol K. Cook	Director, Program Services & Compliance

**State of Illinois  
Illinois Student Assistance Commission**

**Compliance Report Summary**

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**Exit Conference (Continued)**

McGladrey LLP

Linda Abernethy

Partner

Dan Sethness

Manager

Office of the Auditor General

Jose Roa

Audit Manager

The responses to the State compliance findings and recommendations were provided by Wendy Funk in correspondence dated March 2, 2015.

The Agency waived an exit conference on January 12, 2015, to discuss the *Government Auditing Standards* findings and recommendations. The responses to the *Government Auditing Standards* recommendations were provided by Eric Zarnikow, Executive Director, in a letter dated January 12, 2015.



**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

Ms. Kym Hubbard  
Honorable Chair 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, 2014. 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.

Our examination was conducted 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.



In our opinion, the Commission complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2014. 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 2014-001 through 2014-006.

### **Internal Control**

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.

*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 an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, 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. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies, as described in the accompanying schedule of findings as items 2014-002 through 2014-006.

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

## **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 Commission as of and for the year ended June 30, 2014, and have issued our report thereon dated January 12, 2015, which contained unmodified opinions on those financial statements. Our report contained an emphasis of matter paragraph which states “as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2014 of \$276 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation,” and “as discussed in Note 17, beginning net position was restated to reflect the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.” Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission’s basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to January 12, 2015. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 11 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Commission. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 11 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the year ended June 30, 2014 in Schedules 1 through 11 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

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, 2013 and June 30, 2012 (not presented herein), and have issued our reports thereon dated January 15, 2014 and February 7, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Our reports for the years ended June 30, 2013 and June 30, 2012 were modified to refer to the \$389 million and \$420 million deficit, respectively, in the Illinois Prepaid Tuition Program Fund. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 2 through 12 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2013 and June 30, 2012 financial statements. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 2 through 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2013 and June 30, 2012 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 2 through 12 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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 LLP*

Schaumburg, Illinois  
March 4, 2015, except for the Supplementary Information  
for State Compliance Purposes in Schedules 1 through 12,  
as to which the date is January 12, 2015



**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

Ms. Kym Hubbard  
Honorable Chair of the Governing Board  
Illinois Student Assistance Commission

As Special Assistant Auditors for the Auditor General, we have audited, 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, 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, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated January 12, 2015. That report contains an emphasis of matter paragraph which states "as discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2014 of \$276 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of the future tuition benefits obligation," and "as discussed in Note 17, beginning net position was restated to reflect the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*."

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free from 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 item 2014-001.

## **State of Illinois, Illinois Student Assistance Commission's Response to Findings**

The State of Illinois, Illinois Student Assistance Commission's responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Illinois Student Assistance Commission's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Student Assistance Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Student Assistance Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Schaumburg, Illinois  
January 12, 2015

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings – Government Auditing Standards**

**Finding 2014-001 Debt Covenant Violation**

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

During our audits of the agency's June 30, 2009, 2010, 2011, 2012, and 2013 financial statements, we noted that IDAPP was in violation of one or more debt covenants related to the agency's revolving credit (loan) agreement. In addition, the Three-Year Asset Backed Revolving Credit Facility (the facility) matured on July 27, 2010 and has not been repaid. Per the agreement, the minimum required coverage condition ratio is 104%, while the ratio as of June 30, 2014 was 101.7%. Also per the agreement, the default ratio is set at a maximum of 6.25%, but at June 30, 2014 this ratio was 6.72%.

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was \$211,856,827 at June 30, 2014.

According to Commission management, the coverage condition and default issues are due to the poor performance of the portfolio. The portfolio continues to experience a high level of delinquent accounts. The line of credit has not been refinanced because of the conditions in the private loan credit market.

As a result of the violation, the bank may have certain remedies under the terms of the loan agreements, principal of which would be the right to call the loan and take possession of the collateral (the underlying student loan portfolio of IDAPP). (Finding Code Nos. 2014-001, 2013-001, 12-2, 11-10, 10-6, 09-1)

**Recommendation**

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

**Commission Response**

We agree with the recommendation. The loan covenants are reviewed on a monthly basis. We continue to talk to Citibank about the portfolio.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings – State Compliance**

**Finding 2014-002 Failure to Comply with the Open Meetings Act**

The Illinois Student Assistance Commission (Commission) failed to comply with the Open Meetings Act in fiscal year 2013.

During the examination, it was noted that 1 of 2 (50%) employees required to take annual training did not complete this training for fiscal year 2013.

The Open Meetings Act (5 ILCS 120/1.05a) requires every public body to designate employees, officers, or members to receive training on compliance with the Open Meetings Act. The designated employees, officers, or members must successfully complete an annual training program.

According to Commission management, the employee who failed to take the training in FY13 misinterpreted the training requirement. Training was conducted in 2014 when staff realized the error and will continue to take training annually.

Failure to attain required training as prescribed by the Act may cause employees to not be up to date with the current requirement of the Act. (Finding Code Nos. 2014-002, 12-11)

**Recommendation**

We recommend the Commission develop controls to bring the agency into compliance with the training requirements of the Open Meetings Act.

**Commission Response**

We agree with the recommendation. Though this situation was caused by a misunderstanding and therefore was unlikely to happen again, a new procedure which requires the two designees to send each other their annual training certifications was implemented. No required training has been missed since 2013.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-003 Employee Performance Evaluations Not Completed Timely**

The Illinois Student Assistance Commission (Commission) did not complete all required employee performance evaluations in a timely manner.

During the examination, it was noted that 12 of 32 (38%) performance evaluations were submitted late to the Human Resource Department (HRD). These evaluations were submitted between 3 and 98 days late.

The Commission's Policies and Procedures (PPD) # 413 states that annual performance appraisals are required for management and non-management employees. Based on HRD memos, performance appraisals should be prepared annually, covering the periods of May 1st through April 30<sup>th</sup>, unless an extension is approved.

According to Commission management, competing priorities caused some performance evaluations to not be submitted timely.

Performance appraisal is a systematic and uniform approach used for the development of employees and communication of performance expectations to employees. Performance appraisals should serve as a foundation for salary adjustment, promotion, demotion, discharge, lay-off, recall, and reinstatement decisions. (Finding Code Nos. 2014-003, 12-8, 10-9)

**Recommendation**

We recommend the Commission develop controls to complete performance evaluations accordingly and timely.

**Commission Response**

We agree with the recommendation. The Agency Human Resources Department will continue to follow up with management to ensure that the employee performance evaluations are submitted timely or that extension requests are submitted timely.



**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-004 Lack of Compliance Reviews over Monetary Award Program Funds**

The Illinois Student Assistance Commission (Commission) did not perform the required compliance reviews over schools receiving Monetary Award Program (MAP) funds.

During the examination, it was noted that as of June 30, 2014, only 29 of 141 (21%) schools had their required compliance reviews performed in the preceding three year period. During Fiscal Year 2014, 2013, and 2012 the Commission awarded \$373, \$371, and \$387 million in MAP funds, respectively. In addition, the results of the 29 required compliance reviews indicated that several students had become ineligible after the initial award. The Commission recovered \$70,351, \$72,513, and \$275,124, respectively, in MAP funds from the schools with these students.

The information which follows shows the number of schools reviewed during each fiscal year (FY) for the past seven years. The Commission would have needed to review, on average, 47 schools each year to cover all 141 schools over a three-year period.

<b>Number Reviews Conducted by Fiscal Year</b>	
<b>Most Recent Review FY</b>	<b>Number of Schools</b>
FY14	15
FY13	2
FY12	12
FY11	31
FY10	35
FY09	36
FY08	10

The Illinois Administrative Code (23 Ill. Adm. Code 2700.60) requires the Commission to audit participating institutions of higher learning. Postsecondary institutions participating in the Commission gift assistance programs shall be audited once every three years (schedule permitting) unless more frequent audits appear to be necessary due to circumstances such as: substantial increases in student enrollment, evidence that the institution is experiencing difficulty meeting the requirements of the Commission rules or federal regulations, or discrepancies in past audits conducted by the Commission.

According to Commission management, a Program Review Schedule is developed each fiscal year to systematically plan for reviews for the Commission's gift-assistance programs which includes MAP funds. The schedule is implemented based on available staff resources. In this case, resources did not permit the schedule to be completed.

By failing to perform required reviews of eligibility for students receiving MAP funding, State funds may be granted to students who do not meet the qualifications to receive MAP funds. (Finding Code No. 2014-004)

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-004 Lack of Compliance Reviews over Monetary Award Program Funds (Continued)**

**Recommendation**

We recommend the Commission follow the plan to perform timely compliance reviews, so that all schools are reviewed at least every three years as required by the Illinois Administrative Code.

**Commission Response**

We agree with the recommendation and are taking steps to review the process and perform the required school reviews on a timely basis going forward.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-005 Failure to Request Funding From the General Assembly**

The Illinois Student Assistance Commission (Commission) failed to request funding from the General Assembly for several of its mandated programs.

During the examination, it was noted that 7 of 36 (19%) mandates selected for testing had no appropriations from the General Assembly in fiscal year 2014 or 2013. The Commission did adopt rules for these programs, but did not request funding for 4 of these programs, and requested \$0 funding for the remaining 3 programs. The applicable programs and laws are as follows:

- Public Interest Attorney Assistance Act, 110 ILCS 916
- Child Welfare Student Loan Forgiveness Act, 110 ILCS 923
- Community College Transfer Grant Program Act, 110 ILCS 924/10 - 924/25
- Higher Education Student Assistance Act, 110 ILCS 947/65.75
- Baccalaureate Savings Act, 110 ILCS 920/8
- Higher Education Student Assistance Act, 110 ILCS 947/36
- Higher Education Student Assistance Act, 110 ILCS 947/65

The Public Interest Attorney Assistance Act (110 ILCS 916), effective January 1, 2010, mandates the Commission to establish and administer the Public Assistance Attorney Loan Repayment Assistance Program for the primary purpose of providing loan repayment assistance to practicing attorneys to encourage them to pursue careers as public interest attorneys. Funding for the program is to come from the Public Interest Attorney Loan Repayment Assistance Fund.

The Child Welfare Student Loan Forgiveness Act (110 ILCS 923), effective January 1, 2006, mandates the Commission to establish and administer the Child Welfare Student Loan Forgiveness Program to provide loan assistance to eligible students, subject to appropriation, for upper-division undergraduate and graduate study in social work with the intent of working in child welfare.

The Community College Transfer Grant Program Act (110 ILCS 924), effective July 1, 2010, mandates the Commission to establish and administer the Community College Transfer Grant Program to provide financial assistance to eligible students who have received an associate's degree at a public community college located in the State, subject to appropriation, for the cost of attending a public or private institution of higher education in this State.

The Higher Education Student Assistance Act (110 ILCS 947/65.75), effective January 1, 2007, mandates the Commission to annually receive and consider applications for grant assistance to persons in legal custody of grandparents who received public assistance, meet GPA requirement, are recommended, and plan to attend an institution of higher education full-time in the State of Illinois. Subject to appropriation, shall award renewable grants of \$1,000 to eligible applicants.

Baccalaureate Savings Act (110 ILCS 920/8), effective May 19, 2006, mandates the Commission to administer the governor's grant program offering financial incentives, subject to appropriation, to individuals who buy college savings bonds to attend Illinois schools.

Higher Education Student Assistance Act (110 ILCS 947/36), effective July 1, 2004, mandates the Commission to administer the Illinois Incentive for Access grant program, which provides funding, subject to appropriation, to individuals who have limited personal or family financial resources available for expenditure on educational expenses.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-005 Failure to Request Funding From the General Assembly (Continued)**

Higher Education Student Assistance Act (110 ILCS 947/65), effective, January 1, 1996, mandates the Commission to make matching grants to each college or university, subject to appropriation, for a program of student grant assistance.

Commission officials stated that given budget constraints, they have never requested funding for these programs from the General Assembly. Instead, the Commission believes that any available funding should be focused on existing programs, primarily the Monetary Award Program, the state's flagship need-based grant program, which experiences consistent shortfalls, and directly supports both the Agency's mission and the State's education goals.

By not requesting appropriations for several of its programs, the Commission did not fulfill its responsibility to seek funding to comply with the statutory mandate. (Finding Code Nos. 2014-005, 12-13)

**Recommendation**

We recommend the Commission develop controls to verify that requests for funding from the General Assembly for its mandated programs were made, or seek legislative relief from the statutory requirement.

**Commission Response**

ISAC disagrees with the finding. The Agency undertakes scrupulous efforts to meet all mandates imposed by statute and to comply with all other laws and regulations. Through the promulgation of administrative rules and by publishing information about its programs the Agency fulfills all statutory responsibilities to the citizens of Illinois.

According to statute all mandates cited above are "subject to appropriation." As an agency of the state, ISAC cannot appropriate funds, that being the sole domain of the legislative branch. Nor is ISAC under any statutory mandate to request that the General Assembly (G.A.) appropriate funds to implement programs they created. Notably, in the case of the first four programs listed, the General Assembly approved the measures creating these programs (subject to appropriation) but subsequently chose not to appropriate any funds for the new programs. The agency goes through a budget process stretching from September to June annually for requesting funding and appropriation authority for the numerous programs it administers. The agency works in conjunction with the Illinois Board of Higher Education (IBHE) and the Governor's Office to determine the final funding requests to be filed with the General Assembly on the Illinois State Legislature Forms.

As previously mentioned ISAC cannot appropriate funds, nor is it aware of any statutory mandate to request that the General Assembly appropriate funds to implement programs they created. While the agency has responded to past requests from legislators to estimate the cost of a "fully funded" budget, in times of limited resources, appropriators more commonly seek information on ISAC's funding priorities. Given the state's budget constraints, the Commission has generally not recommended funding for programs that the G.A. has either de-funded or never chosen to fund. Instead, ISAC believes that any available funding should be focused on existing programs, primarily MAP, the state's flagship need-based grant program, which experiences consistent shortfalls, and directly supports both the agency's mission and the state's education goals.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-005 Failure to Request Funding From the General Assembly (Continued)**

The agency provides funding recommendations to the G.A. based on circumstances such as total available funding, program effectiveness, program demand, and other priorities. The G.A. at its members' own discretion, may or may not implement that counsel in approving a state budget (and in fact **has** chosen more than once to fund programs for which ISAC has **not** requested funding). Whenever asked by the G.A. for projections of the cost to meet demand for a program, ISAC attempts to respond in as timely and accurate a manner as possible.

For budgeting guidance, ISAC looks to its mission: to make postsecondary education accessible and affordable to Illinois residents. In addition, ISAC makes efforts to support policy goals set by the state: to have 60 percent of adults in possession of a high quality certification or degree by 2025 and to reduce achievement gaps for low-income students to less than ten percent. In terms of recent advocacy, ISAC has focused its limited resources on supporting or opposing proposals that will have an impact on the students of Illinois as opposed to repealing parts of statute that legislators have created but chosen not to fund.

However, to ensure the G.A. is aware of all the ISAC programs subject to appropriation, beginning in FY 2014 ISAC has included them in budget requests, requesting zero dollars or another amount as the Commission may determine in the future.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-006 Missing Information in Golden Apple Foundation Report**

The Illinois Student Assistance Commission (Commission) did not receive certain required information in the annual report submitted by the Golden Apple Foundation (Foundation).

During the review of the Foundation's Grant Activities Annual Report submitted to the Commission, we noted that 12 of 13 (92%) required items were not included in the report.

The Higher Education Student Assistance Act (110 ILCS 947/52(m)) requires the Foundation to prepare and submit to the Commission annually a report to assist the Commission in monitoring the Foundation's performance of grant activities. The report shall describe the following:

- 1) The Foundation's anticipated expenditures for the next fiscal year;
- 2) The number of qualified students receiving scholarship assistance at each institution of higher learning where a qualified student was enrolled during the previous fiscal year;
- 3) The total monetary value of scholarship funds paid to each institution of higher learning at which a qualified student was enrolled during the previous fiscal year;
- 4) The number of scholarship recipients who completed a baccalaureate degree during the previous fiscal year;
- 5) The number of scholarship recipients who fulfilled their teaching obligation during the previous fiscal year;
- 6) The number of scholarship recipients who failed to fulfill their teaching obligation during the previous fiscal year;
- 7) The number of scholarship recipients granted an extension described in subsection (k) during the previous fiscal year;
- 8) The number of scholarship recipients required to repay scholarship assistance during the previous fiscal year;
- 9) The number of scholarship recipients who successfully repaid scholarship assistance in full during the previous fiscal year;
- 10) The number of scholarship recipients who defaulted on their obligation to repay scholarship assistance during the previous fiscal year;
- 11) The amount of scholarship assistance subject to collection at the end of the previous fiscal year; and
- 12) The amount of collected funds to be remitted to the Comptroller at the end of the previous fiscal year

The Commission may reasonably request other information. Item number 1 above was the only item included in the reports submitted.

According to Commission management, the missing elements are reported through the process to determine/track eligibility for qualified Golden Apple Scholars and disburse scholarship funding to the institutions. The Commission receives the data needed for the administration of the scholarships, and interpreted that this fulfilled the intent of the statutory requirements.

Failure to receive all required information from the Foundation prevents the Commission from fully monitoring the Foundation's performance of grant activities and may result in inappropriate decisions or actions. (Finding Code No. 2014-006)

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Current Findings - State Compliance (Continued)**

**Finding 2014-006 Missing Information in Golden Apple Foundation Report (Continued)**

**Recommendation**

We recommend the Commission implement controls so that all required information is included in the Grant Activities Annual Report submitted by the Foundation to the Commission.

**Commission Response**

We accept the recommendation. ISAC will ensure that required information is included in the annual report submitted by the Golden Apple Foundation going forward.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Prior Findings Not Repeated**

**A. Budget Not Properly Approved**

The Illinois Student Assistance Commission (Commission) did not approve the fiscal year 2012 budget relating to the Commission's non-appropriated funds and did not deliberate and vote on budget requests submitted to the General Assembly for appropriations relating to the appropriated funds of the Commission.

Our examination testing indicated the Commission approved the fiscal years 2013 and 2014 annual budgets for non-appropriated funds and the budget requests for appropriated funds were submitted to the General Assembly. (Finding Code No. 12-1)

**B. Failure to Comply with the Identity Protection Act**

The Illinois Student Assistance Commission (Commission) did not comply with the provisions of the Identity Protection Act. The Commission failed to timely approve an identity protection policy and subsequently failed to timely submit its approved identity protection policy to the Social Security Number Protection Task Force.

Our testing results did not identify exceptions regarding this mandate during fiscal years 2013 and 2014. (Finding Code No. 12-3)

**C. Contract Creation and Execution**

The Illinois Student Assistance Commission (Commission) did not comply with certain requirements for creation and execution of State contracts. Contracts for legal services did not contain the required disclosure that the contracts are not subject to the Illinois Indemnification Act.

The Commission has strengthened internal controls. During our sample testing, we noted no exceptions during fiscal year 2013 and 2014. (Finding Code Nos. 12-4, 10-8)

**D. Contracts and Late Filing Affidavits Not Filed Timely**

The Illinois Student Assistance Commission (Commission) did not submit all contract and late filing affidavits to the Illinois Office of the Comptroller (Comptroller) on a timely basis.

The Commission has implemented additional quality control measures to address timely contract filing with the Comptroller. During our sample testing, we noted no exceptions during fiscal year 2013 and 2014. (Finding Code Nos. 12-5, 10-7, 08-6)

**E. Inadequate Controls over Master Requisitions**

The Illinois Student Assistance Commission (Commission) did not maintain adequate segregation of duties over the preparation and approval of master requisitions.

The Commission now requires all master requisitions to be approved by the division director. No exceptions were noted during fiscal year 2013 and 2014 testing. (Finding Code No. 12-6)



**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2014**

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**Prior Findings Not Repeated (Continued)**

**F. 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.

The Commission has revised the process and established additional controls to address agency workforce reporting. No exceptions were noted during fiscal year 2013 and 2014 testing. (Finding Code Nos. 12-7, 10-10)

**G. Omission of Analytical Factors from Monetary Award Program Assessment**

The Illinois Student Assistance Commission (Commission) omitted several analytical factors from its assessment of monetary award program recipients.

No exceptions were noted during fiscal year 2013 and 2014 sample testing. (Finding Code No. 12-9)

**H. Distribution of Grant Awards in Excess of Allowable Amounts**

The Illinois Student Assistance Commission (Commission) distributed Police Officer or Fire Officer Survivor Grants in excess of what is mandated under the Higher Education Student Assistance Act.

This Commission implemented additional internal controls related to eligibility and award determinations and distribution of the grant funds. No exceptions were noted during fiscal year 2013 and 2014 sample testing. (Finding Code No. 12-10)

**I. Delinquent Reporting of Revenue Bonds**

The Illinois Student Assistance Commission (Commission) was delinquent in reporting required revenue bond activity to the Illinois Office of the Comptroller (Comptroller) for the year ended June 30, 2011.

The Commission implemented additional internal controls for timely Notice of Payment of Bond Interest and/or Principal forms filed with the Comptroller's Office. No exceptions were noted during fiscal year 2013 and 2014 sample testing. (Finding Code No. 12-12)

**J. Failure to Establish College Savings Program**

The Illinois Student Assistance Commission (Commission) has not established a program of college savings instruments for Illinois citizens in accordance with the Higher Education Student Assistance Act (110 ILCS 947/75).

The mandate requirement for the establishment of this program was repealed per Public Act 98-251 on August 9, 2013. (Finding Code No. 12-14)

State of Illinois  
Illinois Student Assistance Commission

Two Years Ended June 30, 2014

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**Prepaid Tuition Program Management Audit – Prior Findings Follow-Up**

In May 2012, the Office of the Auditor General released its report of the Management Audit of the Illinois Student Assistance Commission (Commission) - College Illinois Prepaid Tuition Program's (Program) Administrative Operations. The audit included 15 recommendations for improvement, all of which we followed up on during the examination for the two years ended June 30, 2012. During fiscal year 2012, we noted the Commission implemented 10 of the 15 recommendations. The 5 remaining recommendations were either not implemented or partially implemented.

The remaining 5 recommendations were followed up on during the examination for the two years ended June 30, 2014. During fiscal years 2013 and 2014, we noted the Commission implemented the remaining 5 recommendations. A summary of our follow-up is as follows:

- ***Recommendation #8 The Commission should assess its conflict of interest policy making any needed revisions including appropriate disclosures of potential conflicts prior to procurement evaluation. Revisions should also include investment restrictions related to potential or recent Commission investments for any Commission employee involved in the investment process or members of the Commission or Investment Advisory Panel. The Commission should ensure that the policy is implemented and followed.***

We noted that the ethics policy was updated on January 8, 2013. This policy addresses conflict of interest as well as investment restrictions for Commission employees. The Commission has procedures in place to monitor compliance with this policy.

Status: Implemented

- ***Recommendation #10 The Commission should examine its practice of making additional payments to employees at the end of their employment.***

We noted that the Commission evaluated their use of severance, voluntary separation agreements and other forms of payout that could occur at the point of employment termination. All employees are now required to sign a principal administrative appointment (PAA), which specifies that the maximum number of days for termination payment is 30. The Commission no longer utilizes other forms of termination payouts beyond the 30 days noted in the PAA.

Status: Implemented.

- ***Recommendation #11 The Commission should ensure that its annual report contains all information required by its Investment Policy. The Commission should also include additional information that would be useful to contract holders and others who are evaluating the Program.***

We noted that the Commission's annual report submitted now contains all information required by its investment policy. Also, included with the submission of the report is a cover letter that conveys much of this information, along with additional information about the actuarial report that would be useful to contract holders and others who are evaluating the Program.

Status: Implemented

State of Illinois  
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Two Years Ended June 30, 2014

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- ***Recommendation #12 The Commission should ensure that assumptions used in setting contract prices are supported by documentation that shows how the assumptions were established.***

We sighted supporting documentation regarding contract pricing assumptions that the Commission presented to the Board.

Status: Implemented.

- ***Recommendation #13 The Commission should assess its process for determining fees and charges assessed to purchasers of prepaid tuition contracts including maintaining documentation that quantifies the effect of administrative costs on the overall pricing structure.***

We noted that the Commission evaluated its pricing and fee structure during the examination period, and they adjusted their pricing and fees. We sighted the pricing model used during the 2013-2014 enrollment period and noted that the fee structure considers the effect of administrative costs. We also noted the Commission approved the adjustment of their contract pricing during 2014.

Status: Implemented

**State of Illinois  
Illinois Student Assistance Commission**

**Supplementary Information for State Compliance Purposes**

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**Summary**

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

Fiscal Schedules and Analysis:

- 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 Statement of Net Position Accounts
- Analysis of Accounts Receivable
- Schedule of Investment Management Fees

Analysis of Operations (Unaudited):

- Agency Functions and Planning Program (Unaudited)
- Average Number of Employees (Unaudited)
- Annual Cost Statistics – By Activity (Unaudited)
- 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, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances  
 Appropriations for Fiscal Year 2014  
 Fourteen Months Ended August 31, 2014

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/14	Lapse Period Expenditures 7/1/13 - 8/31/14 (1)	Total Expenditures	Balances Lapsed
<b>Public Act. 98-0033</b>					
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 001:</b>					
Monetary Award Program grant awards	\$ 373,198,100	\$ 372,661,127	\$ (333,077)	\$ 372,328,050	\$ 870,050
<b>Education Assistance Fund - 007:</b>					
Grants and scholarships:					
Veteran's home nurses loan payments	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Nursing education students scholarships	300,000	297,937	-	297,937	2,063
Minority teacher scholarships	2,500,000	1,774,872	(24,167)	1,750,705	749,295
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	1,050,000	1,032,779	12,561	1,045,340	4,660
IL Scholars scholarships	40,000	40,000	-	40,000	-
Golden Apple Scholars	6,647,600	6,440,835	27,082	6,467,917	179,683
Loan repayment for Teachers Program	500,000	460,379	38,673	499,052	948
Total Education Assistance Fund	\$ 11,067,600	\$ 10,076,802	\$ 54,149	\$ 10,130,951	\$ 936,649
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	\$ 28,004	\$ -	\$ 28,004	\$ 371,996
<b>ISAC Accounts Receivable Fund - 242:</b>					
Cost associated with collecting delinquent scholarship awards	\$ 300,000	\$ 75,097	\$ -	\$ 75,097	\$ 224,903
<b>Optometric Licensing &amp; Disciplinary Board Fund - 259:</b>					
Scholarships for eligible students pursuing a graduate degree in optometry	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2014  
 Fourteen Months Ended August 31, 2014

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/14	Lapse Period Expenditures 7/1/13 - 8/31/14 (1)	Total Expenditures	Balances Lapsed
<b>University Grant Fund - 418:</b>					
Higher education license plate program grants	\$ 90,000	\$ 84,225	\$ -	\$ 84,225	\$ 5,775
<b>Federal Student Loan Fund - 663:</b>					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 290,000,000	\$ 185,460,004	\$ 13,436,676	\$ 198,896,680	\$ 91,103,320
<b>Student Loan Operations Fund - 664:</b>					
Administration:					
Personal services	\$ 17,208,900	\$ 14,075,779	\$ 33,844	\$ 14,109,623	\$ 3,099,277
State contribution to State Employees' Retirement Fund	6,937,300	5,571,402	9,623	5,581,025	1,356,275
State contribution to Social Security	1,316,600	1,012,332	2,523	1,014,855	301,745
State contribution for employees' group insurance	6,000,000	4,349,473	3,284	4,352,757	1,647,243
Contractual services	12,630,700	3,841,138	333,569	4,174,707	8,455,993
Collection agency fees	15,000,000	1,926,798	182,514	2,109,312	12,890,688
Travel	311,000	68,976	3,533	72,509	238,491
Commodities	282,200	20,341	(18)	20,323	261,877
Printing	501,000	54,464	323	54,787	446,213
Equipment	540,000	49,431	105,165	154,596	385,404
Telecommunications	1,897,900	283,130	52,776	335,906	1,561,994
Operation of automotive equipment	38,400	9,930	1,277	11,207	27,193
Costs associated with Federal Loan System development and maintenance	3,500,000	360	2,050	2,410	3,497,590
Total Student Loan Operations Fund	\$ 66,164,000	\$ 31,263,554	\$ 730,463	\$ 31,994,017	\$ 34,169,983
<b>ISAC Contracts and Grants Fund - 677:</b>					
Costs to support outreach and training activities	\$ 10,000,000	\$ -	\$ -	\$ -	\$ 10,000,000
<b>Federal Student Incentive Trust Fund - 701:</b>					
College Access Challenge Grants	\$ 15,000,000	\$ 5,687,208	\$ 346,839	\$ 6,034,047	\$ 8,965,953
John R. Justice Student Loan	500,000	-	77,322	77,322	422,678
Total Federal Student Incentive Trust Fund	\$ 15,500,000	\$ 5,687,208	\$ 424,161	\$ 6,111,369	\$ 9,388,631

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2014  
 Fourteen Months Ended August 31, 2014

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/14	Lapse Period Expenditures 7/1/13 - 8/31/14 (1)	Total Expenditures	Balances Lapsed
<b>National Guard and Naval Militia Grant</b>					
<b>Fund - 721:</b>					
Illinois National guard and Naval Militia scholarships	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
<b>IL Future Teacher Corps Scholarships Fund - 753:</b>					
Golden Apple Scholars of Illinois	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
<b>Totals - All Appropriated Funds</b>	<b>\$ 766,929,700</b>	<b>\$ 605,386,021</b>	<b>\$ 14,312,372</b>	<b>\$ 619,698,393</b>	<b>\$ 147,231,307</b>
<b>Nonappropriated Funds:</b>					
<b>Illinois Prepaid Tuition Trust Fund - 557:</b>					
Lump sum expenditures for operations		\$ 134,256,557	\$ 1,541,002	\$ 135,797,559	
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program expenditures		\$ 1,063,114	\$ -	\$ 1,063,114	
<b>Total - All Nonappropriated Funds</b>		<b>\$ 135,319,671</b>	<b>\$ 1,541,002</b>	<b>\$ 136,860,673</b>	
<b>Total - All Funds</b>		<b>\$ 740,705,692</b>	<b>\$ 15,853,374</b>	<b>\$ 756,559,066</b>	

Note: All information shown in this Schedule was obtained from agency records and reconciled to the records of the State Comptroller.

Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

(1) Lapse period expenditures are reported net of refunds, including refunds reported in the September 2014 SB01 report.

(Concluded)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances  
 Appropriations for Fiscal Year 2013  
 Fourteen Months Ended August 31, 2013

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/13	Lapse Period Expenditures 7/1/12 - 8/31/13 (1)	Total Expenditures (1)	Balances Lapsed
<b>Public Act. 97-0729</b>					
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 001:</b>					
Monetary Award Program grant awards	\$ 371,309,400	\$ 355,921,906	\$ 15,000,984	\$ 370,922,890	\$ 386,510
<b>Education Assistance Fund - 007:</b>					
Grants and scholarships:					
Veteran's home nurses loan payments	\$ 30,000	\$ 30,000	\$ -	\$ 30,000	\$ -
Nursing education students scholarships	300,000	290,000	10,000	300,000	-
Minority teacher scholarships	2,500,000	1,958,310	(20,000)	1,938,310	561,690
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	1,050,000	998,437	41,313	1,039,750	10,250
IL Scholars scholarships	40,000	40,000	-	40,000	-
Golden Apple Scholars	4,900,000	4,890,000	5,000	4,895,000	5,000
Loan repayment for Teachers Program	500,000	487,207	7,390	494,597	5,403
Total Education Assistance Fund	\$ 9,320,000	\$ 8,693,954	\$ 43,703	\$ 8,737,657	\$ 582,343
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	\$ 330,775	\$ -	\$ 330,775	\$ 69,225
<b>ISAC Accounts Receivable Fund - 242:</b>					
Costs associated with collecting delinquent scholarship awards	\$ 300,000	\$ 3,828	\$ -	\$ 3,828	\$ 296,172
<b>Optometric Licensing and Disciplinary Board Fund - 259:</b>					
Scholarships for eligible students pursuing a graduate degree in optometry	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -

(Continued)



State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2013  
 Fourteen Months Ended August 31, 2013

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/13	Lapse Period Expenditures 7/1/12 - 8/31/13 (1)	Total Expenditures (1)	Balances Lapsed
<b>University Grant Fund - 418:</b>					
Higher education license plate program grants	\$ 90,000	\$ 79,375	\$ -	\$ 79,375	\$ 10,625
<b>Federal Student Loan Fund - 663:</b>					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 290,000,000	\$ 189,148,303	\$ 15,936,783	\$ 205,085,086	\$ 84,914,914
<b>Student Loan Operations Fund - 664:</b>					
Administration:					
Personal services	\$ 17,208,900	\$ 13,808,630	\$ 28,173	\$ 13,836,803	\$ 3,372,097
State contribution to State Employees' Retirement Fund	5,283,400	5,248,252	10,703	5,258,955	24,445
State contribution to Social Security	1,316,600	1,004,983	2,105	1,007,088	309,512
State contribution for employees' group insurance	5,167,900	5,138,907	4,442	5,143,349	24,551
Contractual services	12,378,100	6,817,387	307,988	7,125,375	5,252,725
Collection agency fees	14,600,000	2,429,121	187,577	2,616,698	11,983,302
Travel	311,000	41,673	339	42,012	268,988
Commodities	282,200	16,789	1,489	18,278	263,922
Printing	491,000	18,222	-	18,222	472,778
Equipment	540,000	56,638	-	56,638	483,362
Telecommunications	1,860,000	309,394	59,521	368,915	1,491,085
Operation of automotive equipment	38,400	12,180	726	12,906	25,494
Costs associated with Federal Loan System development and maintenance	3,500,000	-	-	-	3,500,000
<b>Total Student Loan Operations Fund</b>	<b>\$ 62,977,500</b>	<b>\$ 34,902,176</b>	<b>\$ 603,063</b>	<b>\$ 35,505,239</b>	<b>\$ 27,472,261</b>
<b>ISAC Contracts and Grants Fund - 677:</b>					
Costs to support outreach and training activities	\$ 25,000,000	\$ -	\$ -	\$ -	\$ 25,000,000
<b>Federal Student Incentive Trust Fund - 701:</b>					
College Access Challenge Grants	\$ 15,000,000	\$ 4,433,977	\$ 270,608	\$ 4,704,585	\$ 10,295,415
John R. Justice Student Loan	500,000	81,128	-	81,128	418,872
<b>Total Federal Student Incentive Trust Fund</b>	<b>\$ 15,500,000</b>	<b>\$ 4,515,105</b>	<b>\$ 270,608</b>	<b>\$ 4,785,713</b>	<b>\$ 10,714,287</b>

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2013  
 Fourteen Months Ended August 31, 2013

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/13	Lapse Period Expenditures 7/1/12 - 8/31/13 (1)	Total Expenditures (1)	Balances Lapsed
<b>National Guard and Naval Militia Grant Fund - 721:</b>					
Illinois National Guard and Naval Militia scholarships	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
<b>IL Future Teacher Corps Scholarships Fund - 753:</b>					
Golden Apple Scholars of Illinois	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
<b>Totals - All Appropriated Funds</b>	<b>\$ 775,026,900</b>	<b>\$ 593,645,422</b>	<b>\$ 31,855,141</b>	<b>\$ 625,500,563</b>	<b>\$ 149,526,337</b>
<b>Nonappropriated Funds:</b>					
<b>Illinois Prepaid Tuition Trust Fund - 557:</b>					
Lump sum expenditures for operations		\$ 127,810,027	\$ 1,029,563	\$ 128,839,590	
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program expenditures		\$ 2,845,126	\$ -	\$ 2,845,126	
<b>Total - All Nonappropriated Funds</b>		<b>\$ 130,655,153</b>	<b>\$ 1,029,563</b>	<b>\$ 131,684,716</b>	
<b>Total - All Funds</b>		<b>\$ 724,300,575</b>	<b>\$ 32,884,704</b>	<b>\$ 757,185,279</b>	

Note: All information shown in this Schedule was obtained from agency records and reconciled to the records of the State Comptroller.

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 2013 SB 01 report.

(Concluded)

State of Illinois  
 Illinois Student Assistance Commission  
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances  
 Years Ended June 30, 2014, 2013 and 2012

Schedule 3

	Fiscal Year		
	2014 P.A. 98-0033	2013 P.A. 97-0729	2012 P.A. 97-0069 P.A. 97-0642
<b>General Revenue Fund - 001:</b>			
Monetary Award Program Grant:			
Appropriations (net after transfers)	\$ 373,198,100	\$ 371,309,400	\$ 386,680,000
Expenditures:			
Monetary Award Program grant awards	372,328,050	370,922,890	385,785,331
Lapsed balances	\$ 870,050	\$ 386,510	\$ 894,669
<b>Education Assistance Fund - 007:</b>			
Appropriations (net after transfers)	\$ 11,067,600	\$ 9,320,000	\$ 20,185,000
Expenditures:			
Veteran's home nurses loan payments	30,000	30,000	17,500
Veterans' scholarships	-	-	5,994,254
Nursing education students scholarships	297,937	300,000	298,870
Minority teacher scholarships	1,750,705	1,938,310	1,913,184
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	1,045,340	1,039,750	949,977
National guard and naval militia scholarships	-	-	4,380,451
IL Scholars scholarships	40,000	40,000	3,035,000
IL Future Teachers Corps scholarships	-	-	1,947,945
Golden Apple Scholars	6,467,917	4,895,000	324,660
Loan repayment for Teachers Program	499,052	494,597	472,298
Total expenditures	10,130,951	8,737,657	19,334,139
Lapsed balances	\$ 936,649	\$ 582,343	\$ 850,861
<b>Federal Congress Teacher Scholarship Fund - 092:</b>			
Appropriations (net after transfers)	\$ 400,000	\$ 400,000	\$ 3,400,000
Expenditures:			
Federal Congress Teacher scholarship for transferring repayment	\$ 28,004	\$ 330,775	\$ -
Payment of Byrd Honors scholarships	-	-	1,021,501
Total expenditures	28,004	330,775	1,021,501
Lapsed balances	\$ 371,996	\$ 69,225	\$ 2,378,499
<b>ISAC Accounts Receivable Fund - 242:</b>			
Appropriations (net after transfers)	\$ 300,000	\$ 300,000	\$ 300,000
Expenditures:			
Costs associated with collecting delinquent scholarship awards	75,097	3,828	11,601
Lapsed balances	\$ 224,903	\$ 296,172	\$ 288,399

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued  
 Years Ended June 30, 2014, 2013 and 2012

Schedule 3

	2014	2013	2012
	P.A. 98-0033	P.A. 97-0729	P.A. 97-0069 P.A. 97-0642
<b>Optometric Licensing and Disciplinary Board Fund - 259:</b>			
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	\$ -	\$ -	\$ -
<b>University Grant Fund - 418:</b>			
Appropriations (net after transfers)	\$ 90,000	\$ 90,000	\$ 80,000
Expenditures:			
Higher education license plate program grants	84,225	79,375	74,600
Lapsed balances	\$ 5,775	\$ 10,625	\$ 5,400
<b>Federal Student Loan Fund - 663:</b>			
Appropriations (net after transfers)	\$ 290,000,000	\$ 290,000,000	\$ 290,000,000
Expenditures:			
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	198,896,680	205,085,086	212,165,379
Lapsed balances	\$ 91,103,320	\$ 84,914,914	\$ 77,834,621
<b>Student Loan Operations Fund - 664:</b>			
Appropriations (net after transfers)	\$ 66,164,000	\$ 62,977,500	\$ 106,477,500
Expenditures:			
Personal services	14,109,623	13,836,803	12,145,634
State contribution to State Employees' Retirement Fund	5,581,025	5,258,955	4,142,063
State contribution to Social Security	1,014,855	1,007,088	885,217
State contribution for employees' group insurance	4,352,757	5,143,349	3,680,025
Contractual services	4,174,707	7,125,375	6,584,042
Collection agency fees	2,109,312	2,616,698	2,228,442
Travel	72,509	42,012	31,556
Commodities	20,323	18,278	27,820
Printing	54,787	18,222	83,590
Equipment	154,596	56,638	93,899
Telecommunications	335,906	368,915	416,398
Operation of automotive equipment	11,207	12,906	30,963
Costs associated with Federal Loan System development and maintenance	2,410	-	10,330
Governor's Discretionary Appropriation	-	-	33,393,354
Payment of federal default fee	-	-	453
Total expenditures	31,994,017	35,505,239	63,753,786
Lapsed balances	\$ 34,169,983	\$ 27,472,261	\$ 42,723,714

(Continued)

## Illinois Student Assistance Commission

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued  
Years Ended June 30, 2014, 2013 and 2012

	2014 P.A. 98-0033	2013 P.A. 97-0729	2012 P.A. 97-0069 P.A. 97-0642
<b>ISAC Contracts and Grants Fund - 677:</b>			
Appropriations (net after transfers)	\$ 10,000,000	\$ 25,000,000	\$ 25,000,000
Expenditures:			
Costs to support outreach and training activities	-	-	-
Lapsed balances	\$ 10,000,000	\$ 25,000,000	\$ 25,000,000
<b>Federal Student Incentive Trust Fund - 701:</b>			
Appropriations (net after transfers)	\$ 15,500,000	\$ 15,500,000	\$ 19,000,000
Expenditures:			
College Access Challenge Grants	6,034,047	4,704,585	5,588,393
John R. Justice Student Loan	77,322	81,128	-
Monetary Award Program grant awards	-	-	272,506
Total expenditures	6,111,369	4,785,713	5,860,899
Lapsed balances	\$ 9,388,631	\$ 10,714,287	\$ 13,139,101
<b>National Guard and Naval Militia Grant Fund - 721:</b>			
Appropriations (net after transfers)	\$ 20,000	\$ 20,000	\$ 20,000
Expenditures:			
Illinois National Guard and Naval Militia scholarships	-	-	-
Lapsed balances	\$ 20,000	\$ 20,000	\$ 20,000
<b>IL Future Teacher Corps Scholarships Fund - 753:</b>			
Appropriations (net after transfers)	\$ 140,000	\$ 60,000	\$ 60,000
Expenditures:			
Golden Apple Scholars of Illinois	-	-	-
Lapsed balances	\$ 140,000	\$ 60,000	\$ 60,000
<b>Total All Appropriated Funds</b>			
Appropriations (net after transfers)	\$ 766,929,700	\$ 775,026,900	\$ 851,252,500
Expenditures	619,698,393	625,500,563	688,057,236
Lapsed balances	\$ 147,231,307	\$ 149,526,337	\$ 163,195,264

(Continued)

## Illinois Student Assistance Commission

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued  
Years Ended June 30, 2014, 2013 and 2012

	2014 P.A. 98-0033	2013 P.A. 97-0729	2012 P.A. 97-0069 P.A. 97-0642
<b>Nonappropriated Funds:</b>			
<b>Illinois Prepaid Tuition Fund - 557:</b>			
Lump sum expenditures for operations	\$ 135,797,559	\$ 128,839,590	\$ 139,160,870
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>			
Illinois Designated Account Purchase Program expenditures	<u>1,063,114</u>	<u>2,845,126</u>	<u>1,999,947</u>
<b>Total - All Nonappropriated Funds</b>	<u>\$ 136,860,673</u>	<u>\$ 131,684,716</u>	<u>\$ 141,160,817</u>
<b>Total - All Funds</b>			
Expenditures	<u>\$ 756,559,066</u>	<u>\$ 757,185,279</u>	<u>\$ 829,218,053</u>

(Concluded)

Note: FY2012 Expenditures and related lapsed balances do not reflect any interest payments approved for payment by the Commission and submitted to the Office of the Comptroller for payment after August 2012.

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Changes in State Property  
 Two Years Ended June 30, 2014 and 2013  
 (Amounts expressed in thousands)

Schedule 4

	Balance			Balance			Balance
	July 1, 2012	Additions	Deletions	June 30, 2013	Additions	Deletions	June 30, 2014
Governmental activities:							
Capital assets not being depreciated:							
Land	\$ 2,700	\$ -	\$ -	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:							
Buildings	18,311	210	-	18,521	268	-	18,789
Equipment	509	-	(293)	216	-	(40)	176
Total capital assets being depreciated	18,820	210	(293)	18,737	268	(40)	18,965
Less accumulated depreciation:							
Buildings	(9,387)	(463)	-	(9,850)	(474)	-	(10,324)
Equipment	(504)	(1)	293	(212)	(1)	40	(173)
Total accumulated depreciation	(9,891)	(464)	293	(10,062)	(475)	40	(10,497)
Total capital assets being depreciated, net	8,929	(254)	-	8,675	(207)	-	8,468
Governmental activity capital assets, net	\$ 11,629	\$ (254)	\$ -	\$ 11,375	\$ (207)	\$ -	\$ 11,168
Business-type activities:							
<i>Illinois Designated Account Purchase Program Fund:</i>							
Capital assets being depreciated:							
Equipment	\$ 432	\$ -	\$ (109)	\$ 323	\$ -	\$ (10)	\$ 313
Less accumulated depreciation:							
Equipment	(428)	(4)	109	(323)	-	10	(313)
Total capital assets being depreciated, net	4	(4)	-	-	-	-	-
<i>Nonmajor Enterprise Funds:</i>							
Capital assets not being depreciated:							
Construction-in-progress	286	431	(286)	431	90	(431)	90
Capital assets being depreciated:							
Equipment and automobiles	841	30	(97)	774	39	(45)	768
Internally generated software	1,441	1,318	-	2,759	598	-	3,357
Total capital assets being depreciated	2,282	1,348	(97)	3,533	637	(45)	4,125
Less accumulated depreciation:							
Equipment and automobiles	(691)	(38)	97	(632)	(35)	45	(622)
Internally generated software	(72)	(210)	-	(282)	(306)	-	(588)
Total accumulated depreciation	(763)	(248)	97	(914)	(341)	45	(1,210)
Total capital assets being depreciated, net	3,801	2,448	(97)	6,152	933	(45)	2,915
Business-type activities capital assets, net	\$ 4,091	\$ 2,875	\$ (383)	\$ 6,583	\$ 1,023	\$ (476)	\$ 3,005

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 and  
 Reconciliation of Cash Receipts to  
 Deposits Remitted to the State Comptroller  
 For the Years Ended June 30, 2014, 2013 and 2012  
 (Amounts expressed in thousands)

Schedule 5

	2014	2013	2012
<b>General Revenue Fund - 0001</b>			
Miscellaneous	\$ 975	\$ 1,256	\$ 724
Total cash receipts per Agency	975	1,256	724
Less - In transit at End of Year	(1)	(1)	(1)
Plus - In transit at Beginning of Year	1	1	1
Total cash receipts per State Comptroller's Records	<u>\$ 975</u>	<u>\$ 1,256</u>	<u>\$ 724</u>
<b>Federal Congressional Teacher Scholarship Fund - 0092</b>			
Repayments and reimbursements of loans	\$ 1	\$ 1	\$ 1,036
Total cash receipts per Agency	1	1	1,036
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ 1,036</u>
<b>ISAC Accounts Receivable Fund - 0242</b>			
Repayments and reimbursements of loans	\$ 48	\$ 65	\$ 23
Total cash receipts per Agency	48	65	23
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 48</u>	<u>\$ 65</u>	<u>\$ 23</u>
<b>Illinois Prepaid Tuition Trust Fund - 0557</b>			
Proceeds from sale of tuition contracts	\$ 132,242	\$ 129,979	\$ 137,933
Total cash receipts per Agency	132,242	129,979	137,933
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u>\$ 132,242</u>	<u>\$ 129,979</u>	<u>\$ 137,933</u>

(Continued)



**State of Illinois**  
**Illinois Student Assistance Commission**  
**Comparative Schedule of Cash Receipts and**  
**Reconciliation of Cash Receipts to**  
**Deposits Remitted to the State Comptroller (Continued)**  
**For the Years Ended June 30, 2014, 2013 and 2012**  
**(Amounts expressed in thousands)**

**Schedule 5**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Federal Student Loan Fund - 0663</b>			
Federal government	\$ 59,845	\$ 75,686	\$ 89,528
Collections on defaulted student loans	34,284	40,425	42,430
Repurchased student loans	102,054	86,280	75,585
Miscellaneous	384	481	521
Total cash receipts per Agency	<u>196,567</u>	<u>202,872</u>	<u>208,064</u>
Less - In transit at End of Year	(16,075)	(19,348)	(23,108)
Plus - In transit at Beginning of Year	19,348	23,108	25,596
Total cash receipts per State Comptroller's Records	<u><u>\$ 199,840</u></u>	<u><u>\$ 206,632</u></u>	<u><u>\$ 210,552</u></u>
<b>Student Loan Operating Fund - 0664</b>			
Repayments and reimbursements of loans	-	-	-
Portfolio maintenance fee	\$ 2,850	\$ 3,098	\$ 3,467
Federal direct consolidation fee	5,903	8,140	10,059
Federal student loan	30,916	27,199	22,254
Interfund payments	2,437	2,145	3,500
Miscellaneous	1,898	2,386	677
Total cash receipts per Agency	<u>44,004</u>	<u>42,968</u>	<u>39,957</u>
Less - In transit at End of Year	(18,427)	(17,797)	(16,055)
Plus - In transit at Beginning of Year	17,797	16,055	14,398
Total cash receipts per State Comptroller's Records	<u><u>\$ 43,374</u></u>	<u><u>\$ 41,226</u></u>	<u><u>\$ 38,300</u></u>
<b>Federal Student Incentive Trust Fund - 0701</b>			
Federal government	\$ 5,855	\$ 4,483	\$ 5,914
Total cash receipts per Agency	5,855	4,483	5,914
Less - In transit at End of Year	-	-	(235)
Plus - In transit at Beginning of Year	-	235	91
Total cash receipts per State Comptroller's Records	<u><u>\$ 5,855</u></u>	<u><u>\$ 4,718</u></u>	<u><u>\$ 5,770</u></u>
<b>Illinois Designated Account Purchase Program - 1174</b>			
Interfund payments	\$ 1,063	\$ 2,846	\$ 2,006
Total cash receipts per Agency	1,063	2,846	2,006
Less - In transit at End of Year	-	-	-
Plus - In transit at Beginning of Year	-	-	-
Total cash receipts per State Comptroller's Records	<u><u>\$ 1,063</u></u>	<u><u>\$ 2,846</u></u>	<u><u>\$ 2,006</u></u>

(Continued)

**State of Illinois**  
**Illinois Student Assistance Commission**  
**Comparative Schedule of Cash Receipts and**  
**Reconciliation of Cash Receipts to**  
**Deposits Remitted to the State Comptroller (Continued)**  
**For the Years Ended June 30, 2014, 2013 and 2012**  
**(Amounts expressed in thousands)**

**Schedule 5**

	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>GRAND TOTAL - ALL FUNDS</b>			
Federal government	\$ 65,700	\$ 80,169	\$ 95,442
Collections on defaulted student loans	34,284	40,425	42,430
Repurchased student loans	102,054	86,280	75,585
Repayments and reimbursements of loans	49	66	1,059
Portfolio maintenance fee	2,850	3,098	3,467
Federal direct consolidation fee	5,903	8,140	10,059
Federal student loan	30,916	27,199	22,254
Interfund payments	3,500	4,991	5,506
Proceeds from sale of tuition contracts	132,242	129,979	137,933
Miscellaneous	<u>3,257</u>	<u>4,123</u>	<u>1,922</u>
Total cash receipts per Agency	380,755	384,470	395,657
Less - In transit at End of Year	(34,503)	(37,146)	(39,399)
Plus - In transit at Beginning of Year	<u>37,146</u>	<u>39,399</u>	<u>40,086</u>
Total cash receipts per State Comptroller's Records - All Funds	<u>\$ 383,398</u>	<u>\$ 386,723</u>	<u>\$ 396,344</u>

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Expenditures  
 Years Ended June 30, 2014 and 2013  
 (Amounts expressed in thousands)  
 Source: Comparative Schedule of Appropriations, Expenditures and Lapsed Balances  
 Scope: \$600,000 and 20% Change

	2014	2013	Increase (Decrease) Amount	% of Change	Explanation
<b>Education Assistance Fund - 007:</b>					
Golden Apple Scholars	\$ 6,468	\$ 4,895	\$ 1,573	32%	Due to the increase of program funding and spending authority in FY14.
<b>Student Loan Operating Fund - 664</b>					
Contractual services	4,175	7,125	(2,950)	-41%	Due to final contracted lease payment on building, as well as large software and services expense in FY13.
<b>Federal Student Incentive Trust Fund - 701</b>					
College Access Challenge Grants	6,034	4,705	1,329	28%	Due to the increase in vendor payments and more ISACorps members paid from College Access Challenge Grants fund.
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program Expenditures	1,063	2,845	(1,782)	-63%	Due to a reduction in the number of Illinois Designated Account Purchase Program employees in FY14.

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Expenditures  
 Years Ended June 30, 2013 and 2012  
 (Amounts expressed in thousands)  
 Source: Comparative Schedule of Appropriations, Expenditures and Lapsed Balances  
 Scope: \$600,000 and 20% Change

	2013	2012	Increase (Decrease) Amount	% of Change	Explanation
<b>Education Assistance Fund - 007:</b>					
Veterans' scholarships	\$ -	\$ 5,994	\$ (5,994)	-100%	Due to the elimination of program funding in FY13.
National guard and naval militia scholarships	-	4,380	(4,380)	-100%	Due to the elimination of program funding in FY13.
IL Scholars scholarships	40	3,035	(2,995)	-99%	Due to the elimination of program funding in FY13. Amount expended in FY13 was carryover from prior year funding.
IL Future Teachers Corps scholarships	-	1,948	(1,948)	-100%	Due to the program transfer to Golden Apple in FY13.
Golden Apple Scholars	4,895	325	4,570	1408%	Due to the Illinois Future Teachers Corp program transfer to Golden Apple program in FY13.
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Payment of Byrd Honors scholarships	-	1,022	(1,022)	-100%	Due to the elimination of program funding in FY13.
<b>Student Loan Operating Fund - 664</b>					
State contribution to State Employees' Retirement Fund	5,259	4,142	1,117	27%	Due to an increase in the required contribution to SERS from 30.3% to 38.0% in FY13.
State contribution for employees' group insurance	5,143	3,680	1,463	40%	Due to an increase in the required contribution for group insurance in FY13.
Governor's discretionary appropriation	-	33,393	(33,393)	-100%	Supplemental appropriation in the Student Loan Operations Fund was passed for FY12 only.
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program Expenditures	2,845	2,000	845	42%	Due to the addition of Collection employees in FY13.

(Concluded)

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Receipts  
 Years Ended June 30, 2014 and 2013  
 (Amounts expressed in thousands)  
 Source: Comparative Schedule of Cash Receipts  
 Scope: \$600,000 and 20% Change

	2014	2013	Increase (Decrease) Amount	% of Change	Explanation
<b>Federal Student Loan Fund - 663</b>					
Federal government receipts	\$ 59,845	\$ 75,686	\$ (15,841)	-21%	Due to a decrease in the number of default claims paid to lenders in FY14. No new loans have been issued since 2010, resulting in a decrease in the loan portfolio and a corresponding decrease in receipts for default claims.
Repurchased student loans	102,054	86,280	15,774	18%	Due to an increase in the number of borrowers rehabilitating loans.
<b>Student Loan Operations Fund - 664</b>					
Federal direct consolidation fee	5,903	8,140	(2,237)	-27%	Due to decreased borrower interest in consolidation under the Federal Direct program.
<b>Federal Student Incentive Trust - 701</b>					
Federal government receipts	5,855	4,483	1,372	31%	Due to additional federal reimbursements from the College Access Challenge Grants fund to cover increased expenses paid from fund.
<b>Illinois Designated Account Purchase Program - 1174</b>					
Interfund payments	1,063	2,846	(1,783)	-63%	Due to a reduction in the number of Illinois Designated Account Purchase Program employees in FY14.

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Receipts - Continued  
 Years Ended June 30, 2013 and 2012  
 (Amounts expressed in thousands)  
 Source: Comparative Schedule of Cash Receipts  
 Scope: \$600,000 and 20% Change

	2013	2012	Increase (Decrease) Amount	% of Change	Explanation
<b>Federal Congressional Teacher Scholarship - 092</b>					
Federal government receipts	\$ 1	\$ 1,036	\$ (1,035)	-100%	Due to the elimination of the Byrd Honors scholarships in 2012. Amounts received in 2012 represent carryover from prior year funding.
<b>Student Loan Operations Fund - 664</b>					
Federal student loan	27,199	22,254	4,945	22%	Due to an increase in the number of borrowers rehabilitating loans.
Interfund payments	2,145	3,500	(1,355)	-39%	In FY13, this revenue source recorded payments received by <i>College Illinois!</i> for shared expenses. In FY12 only, this represented a supplemental allocation from the Governor's Discretionary Appropriation for the Monetary Award Program.
Miscellaneous	2,386	677	1,709	252%	Due to a large legal settlement in FY13, as well as the introduction of rental income from tenants.
<b>Illinois Designated Account Purchase Program - 1174</b>					
Interfund payments	2,846	2,006	840	42%	Due to the addition of Collection employees in FY13.

State of Illinois

Schedule 8

Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending

Fourteen Months Ended August 31, 2014

(Amounts expressed in thousands)

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

Scope: \$600,000 and 20%

	Total Expenditures	Lapse Period Expenditures	Percent of Total	Explanation
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No lapse spending items were over the scope

State of Illinois

Schedule 8

Illinois Student Assistance Commission  
Analysis of Significant Lapse Period Spending  
Fourteen Months Ended August 31, 2013  
(Amounts expressed in thousands)

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

Scope: \$600,000 and 20%

	Total Expenditures	Lapse Period Expenditures	Percent of Total	Explanation
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No lapse spending items were over the scope



**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Significant Statement of Net Position Accounts**

**Schedule 9**

**June 30, 2014, 2013, and 2012**

**(Amounts expressed in thousands)**

**Source: Financial Statements**

**Scope \$50,000**

	2014	2013	2012
Cash and equivalents	\$ 102,125	\$ 94,336	\$ 121,198
Investments	1,096,481	1,077,100	1,070,508
Contracts receivable	76,046	91,776	105,126
Tuition obligation	1,446,656	1,557,490	1,594,657
Revenue bonds and notes payable	324,323	429,388	590,704
Line of credit	211,857	240,607	275,957

**Cash and Equivalents:**

The change in the balance of cash and cash equivalents from FY13 to FY14 is due to revenues exceeding expenditures in the student loan operating fund. Revenues were steady from FY13 and expenses decreased, in particular lease payments and group insurance. The decrease from FY12 to FY13 is due to a decrease in restricted IDAPP cash which was mainly due to the pay down of bonds and notes.

**Investments:**

This represents the investment balances of the Illinois Prepaid Tuition Program and Illinois Designated Account Purchase Program (IDAPP). The Illinois Prepaid Tuition Program investment value depends primarily on market conditions. Investments for the Illinois Prepaid Tuition Program increased from \$1,063,512 in 2012 to \$1,071,096 in 2013 and \$1,092,472 in 2014. 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 decreased from \$6,996 in 2012 to \$6,004 in 2013 and \$4,009 in 2014.

**Contracts Receivable:**

This represents the amount the Illinois Prepaid Tuition Program expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions decreased from \$105,126 in 2012 to \$91,776 in 2013 and \$76,046 in 2014. The total contract receivable balance is expected to be received over the next fifteen years.

**Tuition Obligation:**

This account in the Illinois Prepaid Tuition Program represents the net contract face value for contracts held by the fund, plus the actuarially-determined present value of future benefits the Illinois Prepaid Tuition Program expects to provide to contract holders for all contracts.

The tuition obligation is management's estimate of the present value of the estimated tuition payments to be made and is expected to be financed from investments of prepaid tuition contracts. The estimate for the future tuition obligation is based on a closed group projection for existing contracts assuming no new contract sales after June 30, 2014. The accreted tuition expense is calculated at least annually by the Commission's actuary.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Significant Balance Sheet Accounts (Continued)  
June 30, 2014, 2013, and 2012  
(Amounts expressed in thousands)**

**Schedule 9**

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**Revenue Bonds and Notes Payable:**

This account in IDAPP represents the outstanding balance of student loan revenue bonds and notes. The change from FY12 to FY13 is due to \$19.5 million of the UBS bonds being paid off, \$40.5 million of the rehab bonds being redeemed, and \$92.3 million of the LIBOR FRNs being paid down through normal collections. The change from FY13 to FY14 is due to \$52.0 million of the LIBOR FRNs being paid down through normal collections as well as the \$53.2million of deferred gains being reclassified from long-term debt to Deferred Inflows of Resources.

**Line of Credit:**

On July 27, 2007 IDAPP executed a \$500,000 mid-term revolving credit agreement through an affiliate of Citibank, CIESCO LLC. The revolving credit line was used to purchase alternative loans and Federal Family Education Loan Program (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 \$211,857 principal outstanding on the Citibank credit line. The outstanding balance has decreased from approximately \$275,957 in 2012 to \$240,607 in 2013 and to \$211,857 in 2014. Decreases in the line of credit balances are due to repayments on borrowings in each year.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Accounts Receivable  
June 30, 2014, 2013, and 2012  
(Amounts expressed in thousands)**

**Schedule 10**

	2014	2013	2012
Intergovernmental	\$ 25,249	\$ 27,123	\$ 30,908
Student loans	559,215	644,232	809,409
Notes	5,018	4,379	7,231
Accrued interest on loans	12,376	12,485	15,209
Contracts	76,046	91,776	105,126
Federal special allowance and interest subsidy	(1,522)	(1,745)	(2,174)
<b>Total</b>	<b>\$ 676,382</b>	<b>\$ 778,250</b>	<b>\$ 965,709</b>

**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. These amounts are considered 100% collectible from the U.S. Department of Education.

**Student Loans Receivable:**

As a Federal Family Education Loan Program (FFELP) lender, the Illinois Designated Account Purchase Program (IDAPP) repurchased \$2,774, \$2,068 and \$9,622 of student loans in FY 2014, FY 2013 and FY 2012, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was \$78,290 in 2014, \$90,192 in 2013, and \$113,317 in 2012. 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 \$341,623 of federally insured FFELP loans and \$217,592 in alternative loans. The FFELP portfolio has historically defaulted less than 2% of the total portfolio per year. IDAPP is reimbursed for these loans between 97% to 100% 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.

Alternative loans are not guaranteed by guarantors and are not eligible for reinsurance by the U.S. Department of Education. Alternative loans are credit-based and a provision for loan loss is set aside for the full amount of the loan when a loan becomes 120 days delinquent. Of the total amount of \$217,592 alternative loans outstanding at June 30, 2014, \$55,267 was over 120 days old. At fiscal year-end 2014, 25% of the alternative loan portfolio was reserved for estimated loan losses. Included in the student loans balance above is approximately \$5,088 of capitalized loan premiums and \$813 in deferred credits, less \$57,624 allowance for doubtful accounts. The decrease in student loan receivable from prior years is normal payment activity. IDAPP services alternative loans in house and externally with a mixture of standard letters, billings, and phone counseling.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Accounts Receivable (Continued)  
June 30, 2014, 2013, and 2012  
(Amounts expressed in thousands)**

**Schedule 10**

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**Notes Receivable:**

Notes receivable represents teacher scholarships which converted to loans when the students did not fulfill teaching requirements. Amounts are shown net of an allowance for uncollectible accounts. Uncollectible accounts are calculated as all loans past due over 120 days. Outstanding notes receivable are sent to an outside collection agency for collections. This collection agency attempts to collect payments utilizing phone calls and letters.

**Accrued Interest Receivable:**

Accrued interest on loans has decreased in FY 2014 compared to the prior year. The variable interest rates on student loans decreased from 1.79% to 1.75% for school FFELP loans, 2.39% to 2.35% for repayment FFELP loans, and from 3.19% to 3.15% 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%. The slight decrease in rates contributed to the lower year-end interest receivable in 2014; however, the decrease in portfolio size by roughly 11% is the main factor in the decrease in the receivable.

**Contracts Receivable:**

This represents the amount the Illinois Prepaid Tuition Program expects to receive from contract holders for contracts purchased on an installment basis. The actuarially determined present value of future contributions decreased from \$105,126 in 2012 to \$91,776 in 2013 and \$76,046 in 2014. The total contract receivable balance is expected to be received over the next fifteen years.

**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 FY12, FY13 and FY14.

The decrease to this payable can be attributed to a reduction in portfolio size and the change to a LIBOR base special allowance payment calculation for a part of the portfolio. The decrease was offset partially by the 64% 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  
 Schedule of Investment Management Fees  
 Year Ended June 30, 2014

Schedule 11

Investment Manager	Investment Management Fees	Percentage of Portfolio
<b><u>Traditional Investment Managers</u></b>		
Income Research Management	\$ 141,067	0.20% %
*Pugh Capital	10,260	N/A
State Street Global Advisors	34,068	0.05%
*Piedmont Investment	9,016	N/A
Rhumblin Advisors	51,680	0.02%
Security Capital Research	80,517	0.73%
Ativo	319,968	0.60%
Harris/Pyrford	388,463	0.54%
Cornerstone	235,399	0.43%
T Rowe Price	195,368	0.24%
<b>Total</b>	<b>\$ 1,465,806</b>	
<b><u>Alternative Investment Managers Advisory Fees</u></b>		
Balestra Capital	413,795	1.32%
DDJ Distressed Fund	362,161	0.91%
Neuberger Berman	399,288	1.29%
Pinnacle	250,813	0.84%
SCM PG	533,951	0.95%
<b>Total</b>	<b>\$ 1,960,008</b>	

\* Pugh Capital and Piedmont Investment closed during fiscal year 2014.

In addition, investment manager fees of \$3,901,625 were netted from investment gains.

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Investment Management Fees  
 Year Ended June 30, 2013

Schedule 11

Investment Manager	Investment Management Fees	Percentage of Portfolio
<b><u>Traditional Investment Managers</u></b>		
Income Research Management	\$ 140,433	0.20% %
Pugh Capital	103,060	0.24%
State Street Global Advisors	27,438	0.03%
*C.S. McKee Investment	128,283	N/A
Piedmont Investment	92,362	0.27%
Rhumblin Advisors	47,334	0.02%
Security Capital Research	191,595	0.85%
Ativo	222,004	0.65%
Harris/Pyrford	240,715	0.66%
Cornerstone	161,736	0.48%
<b>Total</b>	<b><u>\$ 1,354,960</u></b>	
<b><u>Alternative Investment Managers Advisory Fees</u></b>		
Balestra Capital	\$ 347,517	1.14%
DDJ Distressed Fund	1,038,088	2.66%
*Reynoso Asset	31,895	N/A
Neuberger Berman	315,182	1.10%
Pinnacle	615,609	2.02%
SCM PG	464,824	0.83%
<b>Total</b>	<b><u>\$ 2,813,115</u></b>	

\* C.S. McKee Investment and Reynoso Asset closed during fiscal year 2013.

In addition, investment manager fees of \$3,570,180 were netted from investment gains.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2014 and 2013**

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**Agency Functions and Planning Program (Unaudited)**

**Commission Organization**

The Illinois Student Assistance Commission (Commission) is a part of the executive branch of government of the State of Illinois. The Commission operates under a budget approved by the General Assembly in which resources are appropriated for the use of the Commission. Activities of the Commission 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 the Commission and all other cash received are under the custody and control of the State Treasurer, with the exception of the Illinois Designated Account Purchase Program (IDAPP).

The Commission was established through the Higher Education Student Assistance Act in 1957. The agency is governed by the Commission, a board of ten persons appointed by the Governor, who serve without compensation for a term of six years, except for one member who serves for a term of two years. It employs and provides direction to an Executive Director who is responsible for overseeing and implementing the Commission's day-to-day operations. The Commission's operations office is 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 student loans and 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**

The Monetary Award 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 provides up to \$4,968 in fiscal year 2014 for the payment of tuition and mandatory fees. The program is usually funded by the General Fund appropriation.

**Illinois Veteran Grant**

The Illinois Veteran Grant (IVG) Program pays eligible tuition and mandatory fees at all Illinois public universities or public community colleges for veterans. Qualified applicants may use this grant at the undergraduate or graduate level for the equivalent of four academic years of full-time enrollment.

This grant is an entitlement program and is awarded to eligible applicants regardless of the funding level. If funds appropriated for the Commission are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution. This program was not funded in fiscal year 2014.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2014 and 2013**

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**Agency Functions and Planning Program (Unaudited) (Continued)**

**Illinois National Guard Grant**

The Illinois National Guard (ING) Grant pays tuition and eligible fees at all Illinois public universities or public community colleges to members of the Illinois National Guard. This grant can be used for either undergraduate or graduate enrollment for the equivalent of four academic years of full-time enrollment.

The ING Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for the Commission are insufficient to reimburse public post-secondary institutions for all recipients, the obligation to pay is transferred to the institution where the veteran attends school. This program was not funded in fiscal year 2014.

**Golden Apple Scholars of Illinois**

The Golden Apple Scholars of Illinois Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools.

In the summer of 2009, Public Act 96-0411 instituted a transition period during which Illinois Future Teachers Corp (IFTC) was phased out and state support was directed instead to the Golden Apple Scholars of Illinois Program. Like IFTC, the privately-operated Golden Apple program also provides grants towards tuition and fees that must be repaid by recipients who do not subsequently fulfill a work requirement; Golden Apple also provides mentoring and support services and the opportunity to attend summer institutes on teaching.

**Illinois Scholars Program**

The Illinois Scholars Program encourages recruitment and training of bright and talented high school graduates who represent a rich ethnic diversity for successful teaching careers in high need schools throughout Illinois by providing scholarships to students pursuing teaching degrees.

**Minority Teachers Scholarship Program**

The Minority Teachers of Illinois (MTI) Scholarship Program encourages academically talented minority students to pursue careers as teachers at nonprofit Illinois preschool, elementary and secondary schools. The program also aims to provide minority children with access to a greater number of positive minority role models.

Scholars receive financial assistance of up to \$5,000 to attend a course of study which, upon completion, qualifies the student to be certified as a preschool, elementary or secondary school teacher by the Illinois State Board of Education, including alternative teacher certification; and in exchange the recipient pledges to teach full time (one year for each year in which scholarship assistance was received) in a nonprofit Illinois public, private, or parochial preschool, elementary or secondary school with at least 30% minority enrollment.



**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2014 and 2013**

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**Agency Functions and Planning Program (Unaudited) (Continued)**

**Ancillary Award Programs**

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

- Illinois Incentive for Access Program (IIA)\*
- Bonus Incentive Grant\*
- Grant Program for Dependents of Police, Fire, or Correctional Officers
- Illinois Special Education Teacher Tuition Waiver Program\*
- Student to Student Program of Matching Grants\*
- Teacher/Child Care Loan Forgiveness Program
- Merit Recognition Scholarships\*
- Nurse Educator Loan Repayment Program
- Veterans' Home Nurse Loan Repayment Program
- Nurse Educator Scholarship Program\*

\* These programs were not funded in fiscal year 2014.

**Federal Family Education Loan Program (FFELP)**

FFELP was designed to stimulate the making of educational loans by Illinois commercial lenders to qualifying students by guaranteeing repayment of the loans through payments 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 funds for the Program's Administration, the Federal Student Loan Fund (FSLF) and the Student Loan Operating Fund (SLOF).

FSLF accounts for federal government program activities operated and maintained by the Commission. Section 422A(d) of the HEA allows the FSLF to be used primarily to pay lender claims and default aversion fees to the Commission's Student Loan Operating Fund (SLOF). The SLOF is used for the Commission's operating expenses. Resources reported in the SLOF are the State's earned activities and are administered by the Commission.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2014 and 2013**

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**Agency Functions and Planning Program (Unaudited) (Continued)**

**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 a grant from proceeds generated by the license plate fee deposited into the University Grant Fund, a special fund in the State Treasury.

The Commission annually seeks appropriation authority to disburse these collected funds to the participating schools. Eligibility for HELP Grants is based on student need. Grants are used to pay tuition and fees up to a maximum grant of \$2,000 per year. Funds must be used to support students who attend the institutions that generate the license plate revenue.

***College Illinois!®***

Legislation authorizing the Commission to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by the Commission with advice and counsel from an investment advisory panel consisting of seven members appointed by the Commission. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois Prepaid Tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. 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!®*.

**Illinois Designated Account Purchase Program (IDAPP)**

IDAPP was a secondary market offering a variety of services primarily to lenders who originated loans guaranteed by the Commission. It is reported as a Proprietary Fund.

IDAPP facilitated lender participation in the student loan programs by reducing the overall risk and collection expenses those lenders faced. One of the major incentives offered by the Commission was that IDAPP took over servicing the loan after it was purchased from the lender. Sales of loans to the Commission gave the lenders the capital to make new and renew loans.

Capital to support IDAPP was funded through the sale of revenue notes and bonds. The capital borrowings and IDAPP's operational costs are repaid with student loan repayments (or recovery through the guarantor agencies), collection of interest and fees on student loans, and special allowances and interest received from the U.S. Department of Education.

As a result of the Student Aid and Fiscal Responsibility Act (SAFRA), which was part of the Health Care and Education Reconciliation Act, no new loans have been made under the FFELP program since July 1, 2010.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2014 and 2013**

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**Agency Functions and Planning Program (Unaudited) (Continued)**

**Alternative Loan Program**

In order to make post-secondary educational opportunities more accessible for qualified students, the Commission offered a program of "Alternative Loans" to supplement existing federal and state student financial assistance programs. This program has ended and there will be no new loans disbursed.

**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 (Unaudited)**  
**Years Ended June 30, 2014, 2013 and 2012**

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	2014	2013	2012	Increase / (Decrease)	
				2014	2013
Executive	24	25	25	(1)	-
Marketing and Communications	9	9	9	-	-
College Access and Outreach	13	13	12	-	1
Program Services and Compliance	42	43	46	(1)	(3)
Business and Financial Services					
Claims and Collections	43	60	74	(17)	(14)
Accounting Services	41	38	35	3	3
Management Information Services	33	36	37	(3)	(1)
Human Resources	4	4	4	-	-
Administrative Services	12	12	11	-	1
<b>Total full-time employees*</b>	<b>221</b>	<b>240</b>	<b>253</b>	<b>(19)</b>	<b>(13)</b>
Full-time equivalent part-time employees*	31	11	11	20	-
ISACorps	102	88	76	14	12
IDAPP	8	17	11	(9)	6
<b>Total Employees</b>	<b>362</b>	<b>356</b>	<b>351</b>	<b>6</b>	<b>5</b>

\*Source: Monthly Personnel Listing Report - for years ended June 30, 2014, 2013 and 2012.

State of Illinois  
 Illinois Student Assistance Commission  
 Annual Cost Statistics - By Activity  
 Two Years Ended June 30, 2014 and 2013 (Unaudited)

Program	2014 Recipients/Students Dollars Awarded Average Award	2013 Recipients/Students Dollars Awarded Average Award	2012 Recipients/Students Dollars Awarded Average Award	2014 % Change	2013 % Change	Description/Highlights
Bonus Incentive Grant	0 \$0 \$0	0 \$0 \$0	378 \$325,000 \$860	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	Non-need based grants awarded to holders of Illinois college savings bonds. The proceeds of bonds are used for educational instruction purposes. * The BIG program was not funded in FY13 and FY14.
Higher Ed License Plate Program (HELP)	337 \$84,225 \$250	318 \$79,375 \$250	298 \$74,600 \$250	5.97% 6.11% 0.13%	6.71% 6.40% -0.29%	A grant program funded by fees charged for specialized collegiate license plates by colleges and universities in Illinois.
Illinois National Guard Grant Program	1,855 \$7,517,644 \$4,053	1,856 \$7,481,591 \$4,031	1,907 \$2,807,005 \$1,472	-0.05% 0.48% 0.54%	-2.67% 166.53% 173.86%	An entitlement program for members of the Illinois National Guard and Naval Militia.
IL Teachers and Child Care Providers Loan Repayment Program	110 \$499,052 \$4,537	111 \$497,207 \$4,479	98 \$499,836 \$5,100	-0.90% 0.37% 1.28%	13.27% -0.53% -12.18%	A matching grant program to the federal Teacher Loan Forgiveness Program for teachers and child care providers.
John R. Justice Student Loan Repayment Program	74 \$77,322 \$1,045	62 \$81,128 \$1,309	81 \$198,386 \$2,449	19.35% -4.69% -20.15%	-23.46% -59.11% -46.57%	A grant program to repay eligible education loans of Public Defenders or Public Prosecutors who maintain their career in Illinois.
Nurse Educator Loan Repayment Program	60 \$297,937 \$4,966	60 \$300,000 \$5,000	53 \$298,870 \$5,639	0.00% -0.69% -0.69%	13.21% 0.38% -11.33%	A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois.
Veterans Home Nursing Loan Repayment Program	7 \$30,000 \$4,286	6 \$30,000 \$5,000	4 \$10,000 \$2,500	16.67% 0.00% -14.29%	50.00% 200.00% 100.00%	A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois Veterans' Homes.
Illinois Veterans' Grant	7,516 \$31,025,842 \$4,128	8,148 \$32,687,377 \$4,012	8,628 \$5,995,272 \$695	-7.76% -5.08% 2.90%	-5.56% 445.22% 477.34%	An entitlement program for Illinois veterans. * The IVG Program was not funded in FY13 and FY14. Awards reflect student beneficiaries of tuition waivers at institutions.

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, 2014 and 2013 (Unaudited)

Program	2014 Recipients/Students Dollars Awarded Average Award	2013 Recipients/Students Dollars Awarded Average Award	2012 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Monetary Award Program	136,563 \$372,188,694 \$2,725	140,973 \$370,779,466 \$2,630	158,119 \$386,680,000 \$2,445	-3.13% 0.38% 3.62%	-10.84% -4.11% 7.55%	Second largest need-based program in the nation.
Police/Fire Officers' Survivor Program and Grant Program for Dependents of Correctional Officers	92 \$1,050,886 \$11,423	95 \$1,049,289 \$11,045	72 \$454,020 \$6,306	-3.16% 0.15% 3.42%	31.94% 131.11% 75.16%	This program pays tuition for spouses and children of police and firefighters killed in the line of duty, as well as spouses and children of correctional officers killed or permanently disabled in the line of duty.
Illinois Future Teacher Corp Scholarship Program	0 \$0 \$0	0 \$0 \$0	18 \$135,171 \$7,510	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	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. * Funding for the IFTC program was phased over to the Golden Apple Scholars of Illinois Program in FY13.
Illinois Future Teacher Corp	0 \$0 \$0	0 \$0 \$0	176 \$1,216,774 \$6,913	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	A scholarship program for recruiting students into teaching careers. * Funding for the IFTC program was phased over to the Golden Apple Scholars of Illinois Program in FY13.
Golden Apple Scholars of Illinois	360 \$1,294,166 \$3,595	165 \$1,006,424 \$6,100	204 \$3,636,000 \$17,824	118.18% 28.59% -41.06%	-19.12% -72.32% -65.78%	A scholarship program for recruiting students into teaching careers.
Minority Teachers of Illinois Scholarship Program	376 \$1,843,203 \$4,902	412 \$1,992,474 \$4,836	767 \$1,858,469 \$2,423	-8.74% -7.49% 1.37%	-46.28% 7.21% 99.59%	This program awards up to \$5,000 to minority students who agree to teach for at least one year, under specified conditions.
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.

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, 2014 and 2013 (Unaudited)**

Program	2014 Recipients/Students Dollars Awarded Average Award	2013 Recipients/Students Dollars Awarded Average Award	2012 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Robert C. Byrd Honors Scholarship Program	0 \$0 \$0	0 \$0 \$0	1,058 \$1,023,711 \$968	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	This program provides scholarships of up to \$1,500 for a maximum of four academic years to academically exceptional high school graduates. * This program was discontinued as of FY13.
Illinois State Scholar Program	19,393	18,863	17,548	2.81%	7.49%	An honorary program (no monetary value) to recognize academic achievement in high school.
Illinois Special Education Teacher Tuition Waiver Program	244	224	238	8.93%	-5.88%	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**

**Service Efforts and Accomplishments (Unaudited)  
Two Years Ended June 30, 2014 and 2013**

**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 recipients in the Illinois Veteran Grant, Illinois National Guard Grant, Grant Program for the Dependents of Correctional Officers, and Grant Program for the Dependents of Police or Fire Officers will remain equal to 14,000 per year or increase.
  4. 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 2013 Actual		Fiscal Year 2014 Actual
<b>Input Indicators</b>			
Total expenditures - all sources (in thousands)	\$ 387,280		\$ 389,091
Total expenditures - state appropriated funds (in thousands)	\$ 387,280		\$ 389,091
Average monthly full-time equivalent employees	63		54
<b>Output Indicators</b>			
Number of students receiving MAP awards	140,973		136,563
Number of students benefiting from service programs	10,099		9,463
Number of students participating in teacher and worker shortage programs	1,274		1,167
Number of applications filed	853,397		837,739
<b>Outcome Indicators</b>			
Grant aid as a proportion of tuition and fees	20	%	20
Grant aid per undergraduate full-time equivalent students (in dollars)	\$ 728		\$ 756
Percentage of undergraduates at Illinois colleges receiving state need-based aid	21	%	19
Average taxable income of families eligible for MAP grants (in dollars)	\$ 21,195		\$ 23,728
<b>External Benchmarks</b>			
National ranking of maximum award	15		15
National ranking of need-based aid per undergraduate student (in dollars)	7		8
National ranking of total grant dollars per population aged 18-24	16		20
National ranking of student aid as a percentage of Higher Education budget	13		24
<b>Efficiency/Cost-Effectiveness Indicators</b>			
Proportion of General Revenue Fund administrative spending per \$ awarded	1.90	%	1.70
			%



**State of Illinois  
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited) - Continued  
Two Years Ended June 30, 2014 and 2013**

**Mission Statement:** To counsel and educate delinquent borrowers on student loan repayment, resolve student loan debt issues, collect outstanding loan payments, and rehabilitate student borrower credit in order to ensure Illinois students continue to have access to student loans for financing college costs.

- Program Goals:**
1. Explore different means for students and schools to apply for and receive loan funds from participating lenders.
- Objectives:**
- a. Borrower will be satisfied with ISAC services.
  2. Counsel and educate student borrowers who are delinquent on their loan payments.
  3. Collect outstanding loan balances from defaulted borrowers.
    - a. Collections on individual defaulted accounts will be optimized.

	<u>Fiscal Year 2013 Actual</u>		<u>Fiscal Year 2014 Actual</u>
<b>Input Indicators</b>			
Total expenditures - all sources (in thousands)	\$ 223,879		\$ 214,294
Total expenditures - state appropriated funds (in thousands)	\$ 223,879		\$ 214,294
Average monthly full-time equivalent employees	138		134
<b>Output Indicators</b>			
Number of loans in guarantee portfolio	616,960		549,739
Number of delinquencies resolved	59,063		55,569
Dollar value of loans in default portfolio (in millions)	\$ 4,746.4		\$ 4,395.5
<b>Outcome Indicators</b>			
Number of default claims	19,809		16,160
Percent of delinquent accounts resolved	75 %		78 %
Total value of default loan recoveries (in millions)	\$ 125.2		\$ 138.4
<b>Efficiency/Cost-Effectiveness Indicators</b>			
Costs per dollar collected (in dollars)	\$ 0.15		\$ 0.13

**State of Illinois  
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited) - Continued  
Two Years Ended June 30, 2014 and 2013**

**Mission Statement:** To ensure that students and families have the information and support services they need to plan for their post-secondary education.

- Program Goals:**
1. Increase awareness of college costs and aid availability among potential college students.
 

**Objectives:**

    - a. The number of potential students and parents utilizing the Student Assistance Commission's website will increase annually.
  2. Serve as single point of contact for Illinois citizens for information regarding student aid programs.
    - a. An increased number of outreach activities will be conducted throughout Illinois to help students and families with college planning.
    - b. Participation in outreach activities in non-traditional venues such as community-based organizations will be increased.

	<u>Fiscal Year 2013 Actual</u>	<u>Fiscal Year 2014 Actual</u>
<b>Input Indicators</b>		
Total expenditures - all sources (in thousands)	\$ 11,894	\$ 14,044
Total expenditures - state appropriated funds (in thousands)	\$ 11,894	\$ 14,044
Average monthly full-time equivalent employees	29	29
<b>Output Indicators</b>		
Financial Aid Awareness Month workshop participants	6,183	5,484
Number of training seminars	134	101
Attendance at training seminars	2,192	1,915
FAFSA completion workshops held	739	734
Number of cities in which events were held	431	461
<b>Outcome Indicators</b>		
Number of Website visitors	934,707	914,025
Requests for presentations	4,598	6,774
<b>Efficiency/Cost-Effectiveness Indicators</b>		
Financial aid sessions per month	371	556
Total Internet site page views per month	801,119	662,050