



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS STUDENT ASSISTANCE COMMISSION**

**Financial Audit  
 For the Year Ended June 30, 2019**

**Release Date: March 3, 2020**

FINDINGS THIS AUDIT: 1	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2009			<b>19-01</b>
Category 2:	0	0	0				
Category 3:	0	1	1				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

**INTRODUCTION**

The Illinois Student Assistance Commission's (Commission) financial audit report consists of two sets of financial statements which are the financial statements of the Illinois Student Assistance Commission and the financial statements of the Illinois Prepaid Tuition Program (Program), a major fund of the Commission. Included in the financial statements of the Illinois Student Assistance Commission is the major fund for the Illinois Designated Account Purchase Program (IDAPP). This report covers our financial audit of the Commission as of June 30, 2019 and for the year then ended.

**SYNOPSIS**

- (19-01) The Commission - IDAPP was not in compliance with one of the covenants relating to the Commission's revolving line of credit agreement.

**GOLDEN APPLE SCHOLARS OF ILLINOIS PROGRAM**

Pursuant to the Higher Education Student Assistance Act, the Commission administers the Golden Apple Scholars of Illinois Program which is managed by the Golden Apple Foundation for Excellence in Teaching. The results of procedures performed related to the Golden Apple Scholars of Illinois Program are described in a separate agreed-upon procedures report.

<b>Category 1:</b> Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).
<b>Category 2:</b> Findings that are <b>significant deficiencies</b> in internal control and <b>noncompliance</b> with State laws and regulations.
<b>Category 3:</b> Findings that have <b>no internal control issues but are in noncompliance</b> with State laws and regulations.

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2019**

<b>STATEMENT OF NET POSITION (amounts in thousands)</b>	<b>2019</b>	<b>2018</b>
<b>Unrestricted assets</b>		
Unexpended appropriations.....	\$ 26,554	\$ 1,539
Cash and cash equivalents.....	117,875	134,048
Investments.....	716,269	802,738
Receivables.....	41,407	321,946
Securities lending collateral .....	27,544	40,094
Capital assets, net.....	10,629	11,457
Due from other State funds and component units.....	2,270	2,392
<b>Restricted assets</b>		
Cash and cash equivalents.....	10,906	12,053
Student loan and other receivables, net.....	277,827	60,352
Total.....	<u>1,231,281</u>	<u>1,386,619</u>
<b>Deferred Outflows of Resources</b>		
Pension related amounts.....	44,885	44,157
OPEB related amounts.....	27,533	5,042
Total.....	<u>72,418</u>	<u>49,199</u>
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	21,943	12,483
Due to other State funds and component units.....	16,488	3,161
Securities lending collateral obligation.....	27,544	40,094
Line of credit.....	93,357	113,657
Revenue bonds payable.....	137,620	161,391
Tuition obligation.....	1,018,997	1,125,285
Net pension and OPEB liability.....	176,610	164,938
Other.....	4,945	8,102
Total.....	<u>1,497,504</u>	<u>1,629,111</u>
<b>Deferred Inflows of Resources</b>		
Unamortized deferred amount on refunding.....	28,972	33,014
Pension related amounts.....	38,245	41,505
Pension related amounts.....	33,595	19,086
Total.....	<u>100,812</u>	<u>93,605</u>
<b>Net position</b>		
Net investment in capital assets.....	10,629	11,457
Restricted.....	74,791	70,622
Unrestricted.....	(380,037)	(368,977)
Total.....	<u>\$ (294,617)</u>	<u>\$ (286,898)</u>

<b>STATEMENT OF ACTIVITIES (amounts in thousands)</b>	<b>2019</b>	<b>2018</b>
<b>Expenses</b>		
Scholarships, awards and grants.....	\$ 454,094	\$ 766,510
Student loan purchase program.....	10,720	5,264
Prepaid tuition.....	47,675	43,558
Loan guarantee program.....	101,139	145,577
Total.....	<u>613,628</u>	<u>960,909</u>
<b>Program revenues</b>		
Charges for services.....	35,263	45,791
Operating grants and contributions.....	128,159	168,107
Total.....	<u>163,422</u>	<u>213,898</u>
Net program revenues.....	<u>(450,206)</u>	<u>(747,011)</u>
<b>General revenues</b>		
Appropriations from State resources.....	439,756	412,746
Other.....	2,731	353,486
Total.....	<u>442,487</u>	<u>766,232</u>
Change in net position.....	<u>\$ (7,719)</u>	<u>\$ 19,221</u>

**AGENCY EXECUTIVE DIRECTOR**

During Audit Period: Mr. Eric Zarnikow  
Currently: Mr. Eric Zarnikow

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

**DEBT COVENANT VIOLATION**

**Noncompliance with debt covenants**

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

**Default ratios were not maintained**

During our audit of the fiscal year 2019 financial statements, we noted that IDAPP was in violation of a debt covenant related to the agency's revolving credit (loan) agreement. In addition, the Facility matured on July 27, 2010 and has not been repaid. Per the agreement, the default ratio is set at a maximum three-month rolling average of 5.0% or a maximum of 6.25% for any settlement period. We reviewed monthly reports and noted 10 months fell above these ratios, ranging from 5.60% to 7.61% for the three-month average and 7.39% to 9.29% for the settlement period.

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

As a result of the debt covenant violation and the maturity of the facility, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and the maturity of the loan and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. The balance of the line of credit with the bank was \$93,356,827 at June 30, 2019. (Finding 1, page 152) **This finding was first reported in 2009.**

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

**Commission agrees with auditors**

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

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Commission as of and for the year ended June 30, 2019 are fairly stated in all material respects. The auditors included a paragraph emphasizing that the Illinois Prepaid Tuition Program has a deficit of \$295 million as of June 30, 2019.

This financial audit was conducted by Crowe LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:JGR