

# State of Illinois Illinois Student Assistance Commission

Compliance Examination  
For The Two Years Ended June 30, 2012

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, 2012**

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**State of Illinois  
Illinois Student Assistance Commission**

**Agency Officials**

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Executive Director (through July 8, 2011)	Andrew Davis
Interim Executive Director (July 8, 2011 – February 21, 2012)	John Sinsheimer
Executive Director (February 21, 2012 – Current)	Eric Zarnikow
Interim Chief Financial Officer (July 1, 2010 – March 1, 2011)	Shoba Nandhan
Chief Financial Officer (March 1, 2011 – Current)	Shoba Nandhan
General Counsel (July 1, 2010 – February 11, 2011)	Kim Barker Lee
Interim General Counsel (February 12, 2011 – June 7, 2011)	Karen Salas
General Counsel (June 8, 2011 – Current)	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**

May 22, 2013

McGladrey LLP  
20 N. Martingale Road, Ste 500  
Schaumburg, IL 60173-2420

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Commission's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, to the best of our knowledge, we assert that during the years ended June 30, 2011 and June 30, 2012, 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. 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 agency 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

  
Eric Zarnikow, Executive Director

  
Shoba Nandhan, Chief Financial Officer

  
Annie Pike, Legal 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	14	17
Repeated findings	6	3
Prior recommendations implemented or not repeated	11	5

**Schedule of Findings**

Item No.	Page	Description	Finding Type
<i>FINDINGS (GOVERNMENT AUDITING STANDARDS)</i>			
12-1	12	Budget Not Properly Approved	Significant Deficiency
12-2	14	Debt Covenant Violation	Noncompliance
<i>FINDINGS (STATE COMPLIANCE)</i>			
12-3	16	Failure to Comply with the Identity Protection Act	Significant Deficiency and Noncompliance
12-4	17	Contract Creation and Execution	Significant Deficiency and Noncompliance
12-5	18	Contracts and Late Filing Affidavits Not Filed Timely	Significant Deficiency and Noncompliance
12-6	19	Inadequate Controls over Master Requisitions	Significant Deficiency and Noncompliance
12-7	20	Incomplete and Inaccurate Information on Agency Workforce Report	Significant Deficiency and Noncompliance
12-8	22	Missing and Untimely Employee Performance Evaluations	Significant Deficiency and Noncompliance
12-9	23	Omission of Analytical Factors from Monetary Award Program (MAP) Assessment	Significant Deficiency and Noncompliance
12-10	24	Distribution of Grant Awards in Excess of Allowable Amounts	Significant Deficiency and Noncompliance
12-11	25	Failure to Certify Open Meetings Act	Significant Deficiency and Noncompliance
12-12	26	Delinquent Reporting of Revenue Bonds	Significant Deficiency and Noncompliance

**State of Illinois  
Illinois Student Assistance Commission**

**Compliance Report Summary**

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**Schedule of Findings (Continued)**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE - CONTINUED)			
12-13	27	Mandates Funding Not Requested	Significant Deficiency and Noncompliance
12-14	29	Failure to Establish College Savings Program	Significant Deficiency and Noncompliance

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>
12-1	12	Budget Not Properly Approved	Significant Deficiency and Noncompliance
12-2	14	Debt Covenant Violation	Noncompliance

PRIOR FINDINGS NOT REPEATED

A	30	Procurement Law Not Followed
B	30	Noncompliance with Investment Policy
C	30	Financial Statement Preparation
D	30	Alternative Investment Oversight and Manager Fees
E	31	Timeliness of Actuarial Valuation Report
F	31	Competitive Procurement Requirements Not Followed
G	31	Financial Reporting Process
H	31	Student Loan Payments Not Processed Correctly
I	31	Noncompliance with Write-Off Policy
J	32	Noncompliance with Investment Policy
K	32	Use of Appropriated Funds

**Exit Conference**

The State compliance findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on May 6, 2013. Attending were:

Illinois Student Assistance Commission

Eric Zarnikow	Executive Director
Shoba Nandhan	Chief Financial Officer
Annie Pike	General Counsel
Kishor Desai	Director-Internal Audit
Wendy Funk	Director of Accounting and Finance
Rick Wojtowicz	Manager, IT Technical Support
Carol K. Cook	Director, Program Services & Compliance
Ramnath Cidambi	Managing Director - IT

**State of Illinois  
Illinois Student Assistance Commission**

**Compliance Report Summary**

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**Exit Conference (Continued)**

McGladrey LLP

Linda Abernethy	Partner
Rolake Adedara	Director
Dan Sethness	Supervisor

Office of the Auditor General

Jon Fox	Audit Manager
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The responses to the State compliance findings and recommendations were provided by Wendy Funk in correspondence dated May 17, 2013.

The Agency waived an exit conference on November 30, 2012, to discuss the *Government Auditing Standards* findings and recommendations. The responses to the *Government Auditing Standards* recommendations were provided by Shoba Nandhan in a letter dated December 19, 2012.



**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, 2012. 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, 2012. 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 12-1 through 12-14.

### **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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. 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 12-1 and 12-3 through 12-14. *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.

Additionally, the results of our procedures disclosed other matters involving internal control over compliance, which are required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as item 12-2.

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

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

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Commission as of and for the year ended June 30, 2012 (not presented herein), and have issued our report thereon dated February 7, 2013, which contained unqualified opinions on those financial statements. Our report was modified to refer to a change in methodology for estimating contracts receivable, tuition obligation and related revenues and expenses for the Illinois Prepaid Tuition Program Fund. Our report was also modified to refer to a default of certain conditions of its Revolving Credit Facility. Additionally our report was modified to refer to the \$420 million deficit in the Illinois Prepaid Tuition Program Fund. 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 February 7, 2013. The accompanying supplementary information for the year ended June 30, 2012 in Schedules 1 and 3 through 12 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, 2012 in Schedules 1 and 3 through 12 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 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, 2012 in Schedules 1 and 3 through 12 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2012.

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, 2011 and June 30, 2010 (not presented herein), and have issued our reports thereon dated March 27, 2012 and March 14, 2011, which contained unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. Our report for the years ended June 30, 2011 and June 30, 2010 were modified to refer to the \$262 million and \$338 million deficit, respectively, in the Illinois Prepaid Tuition Program Fund. The accompanying supplementary information for the years ended June 30, 2011 and June 30, 2010 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, 2011 and June 30, 2010 financial statements. The accompanying supplementary information for the years ended June 30, 2011 and June 30, 2010 in Schedules 2 through 12 has been subjected to the auditing procedures applied in the audits of the June 30, 2011 and June 30, 2010 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 statements or to those 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, 2011 and June 30, 2010 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  
May 22, 2013, except for the Supplementary Information  
for State Compliance Purposes paragraph, as to which the date  
is February 7, 2013



**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission (Commission), as of and for the year ended June 30, 2012, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated February 7, 2013. That report contains emphasis of matter paragraphs which state "As discussed in Note 8.E., the Illinois Prepaid Tuition Program Fund has adopted a change in its methodology for estimating contracts receivable, tuition obligation and related revenues and expenses", and "As discussed in Note 9, the Commission is in default of certain conditions of its Revolving Credit Facility", and "As further discussed in Note 13, the Illinois Prepaid Tuition Program Fund has a deficit as of June 30, 2012 of \$420 million. The amount of the fund deficit is highly dependent on the actuarial assumptions used to calculate the present value of future tuition benefits obligation." We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above. However, we identified a certain deficiency described in the accompanying schedule of findings as item 12-1 that we consider to be a significant deficiency in internal control over financial reporting. 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.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings as finding 12-2.

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

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

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Schaumburg, Illinois  
February 7, 2013

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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**Current Findings – Government Auditing Standards**

**Finding 12-1 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.

During our audit, we noted that the annual operating budgets for fiscal year 2012 for the Commission's non-appropriated funds, the Illinois Prepaid Tuition Program (IPTP) and the Illinois Designated Account Purchase Program (IDAPP), were not approved by the Board of Commissioners. In addition, budget requests that were submitted to the General Assembly for appropriation for fiscal year 2012 were not deliberated and voted on by the Board of Commissioners.

The Illinois Administrative Code (2 Ill. Adm. Code 5375.210h) requires the Board of Commissioners to deliberate and vote on the operating budgets for IPTP and IDAPP. In addition, the Illinois Administrative Code requires that budget requests for appropriations submitted to the General Assembly are deliberated and voted on by the Board of Commissioners.

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

According to Commission management, effective July 2012, ISAC's Commission members were all newly appointed. The fiscal year 2012 budget was presented to the Commission at its meeting on July 8, 2011. Since the members were all new, the budget was treated as an information item and action was not taken to approve the budget.

The ability to budget effectively is very critical for any entity. A budget can be useful in setting standards of performance, motivating board members and employees, and providing a tool to measure results of the different operations of the Commission. Preparing, approving and monitoring budgets will better enable the Commission to monitor its operations to ensure expenditures are in accordance with the Commission's mission and purpose. (Finding Code No. 12-1)

**Recommendation**

We recommend the Commission approve the annual budget for non-appropriated funds and the budget request to be submitted to the General Assembly for appropriated funds that are prepared by management.

**Commission Response**

ISAC agrees with the recommendation.

The budget for 2012 was not approved by the Commission because the Commission members were newly appointed. The budget was presented but was treated as an information item and no action was taken to approve the budget.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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**Finding 12-1 Budget Not Properly Approved (Continued)**

**Commission Response (Continued)**

ISAC has already implemented the recommended corrective action. The fiscal year 2013 budget for the agency, including the budgets for IPTP and IDAPP were approved by the Commission at its meeting on June 25, 2012. The budget request to be submitted to the General Assembly for appropriation for fiscal year 2014 was presented as an information item at the November Commission Meeting and will be presented to the Board of Commissioners at the January 2013 meeting as an action item for their approval.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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**Finding 12-2 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 the audit of the agency's June 30, 2009 financial statements, the Illinois Designated Account Purchase Program (IDAPP) management discovered that they had potentially violated one of the covenants relating to the agency's revolving credit line (loan) agreement with a bank. The noncompliance pertained to the "Coverage condition ratio" covenant. According to the line of credit agreement with the bank, the "Forbearance Excess Amount", defined as the aggregate value of all eligible student loans that are subject to forbearance, is to be used in the calculation of the coverage condition ratio covenant. When IDAPP completed the report, created by the bank, and as instructed by the bank, the report produced an inaccurate calculation of the amount for the loans in forbearance. Once the error was discovered and the Coverage condition ratio was recalculated, it resulted in noncompliance with the Coverage condition ratio by IDAPP. The minimum Coverage Condition ratio required by the line of credit agreement is 104% and the current ratio as of June 30, 2012 was 101.30%.

During our audits of the agency's June 30, 2010 and 2011 financial statements, we noted that IDAPP was in violation of the same covenant noted above. In addition, the agency was in violation of another covenant, the "Default ratio." According to the line of credit agreement with the bank, the Default ratio is defined as "the annualized percentage of the aggregate principal balance of all student loans which have become defaulted pledged student loans during the settlement period divided by the weighted average principal balance of all pledged student loans during such settlement period." IDAPP is required to maintain a maximum Default ratio of 6.25%. As of June 30, 2012, IDAPP's Default ratio was 8.36%, resulting in noncompliance with the Default ratio by IDAPP.

As a result of the violation, the bank has certain remedies available to it under the terms of the loan agreement, principal of which would be rights to call the loan and take possession of the collateral (the underlying student loan portfolio). The bank has been made aware of the event of default and has not communicated to IDAPP any intent to exercise the remedies available to it under the terms of the loan agreement. Management believes the bank would have little incentive to call the line of credit and begin servicing the student loans itself, particularly because IDAPP has made all of its required payments in a timely fashion. The balance of the line of credit with the bank was \$275,956,827 at June 30, 2012.

According to Commission management, the coverage condition and default issues are due to the increased level of delinquent accounts in the portfolio. The level has increased due to the poor global economic conditions.

Failure to comply with debt covenants could result in the debt becoming due and payable in advance of scheduled retirement dates. As a result of the violation, 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. 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.



**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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**Finding 12-2 Debt Covenant Violation (Continued)**

**Commission Response**

ISAC agrees with the recommendation. IDAPP will continue to monitor these loan covenants and will work with our external servicers to try to bring the coverage condition and default ratios back into compliance.

This credit facility matured on July 27, 2010. Due to the tight credit markets for student loans and the performance of the portfolio, neither Citibank nor ISAC have been able to refinance the facility. ISAC management has been in regular contact with the lender and continues to explore options on the refinancing. At this time however, there are no imminent plans to refinance the facility.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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**Current Findings - State Compliance**

**Finding 12-3 Failure to Comply with the Identity Protection Act**

The Illinois Student Assistance Commission (Commission) did not comply with certain provisions of the Identity Protection Act.

During our examination, we noted the following instances of noncompliance with the Identity Protection Act (Act) (5 ILCS 179):

- The Commission did not approve an identity protection policy within 12 months after the effective date of the Identity Protection Act. The Commission's identity protection policy was submitted on May 3<sup>rd</sup>, 2012, 11 months after the date required by the Act.
- The Commission did not submit a copy of its identity protection policy to the Social Security Number Protection Task Force (SSNPTF) in a timely manner. The policy was submitted 13 days late.

Section 37(a) of the Act requires each State agency to draft and approve an identity protection policy within 12 months after the effective date of the Act. Section 37(b) of the Act requires each State agency to provide a copy of its identity protection policy to the SSNPTF within 30 days after the approval of the policy.

According to Commission officials, the Commission had existing identity protection policies that did not contain two statutory requirements of the Act: a specific reference to the Identity Protection Act and a requirement that social security numbers requested from an individual be placed in a manner that makes the social security number easily redacted if required to be released as part of a public records request. With the change of management during the period after passage of the law the policy received final approval later than anticipated.

Noncompliance with the Act could deter efforts by the State to protect individuals against the unauthorized disclosure of their social security numbers. It also deters SSNPTF's efforts to explore changes that are necessary in order to implement a unique identification number system to replace the use of social security numbers by State and local government agencies for identification and record-keeping purposes. (Finding Code No. 12-3)

**Recommendation**

We recommend the Commission comply in a timely fashion with the requirements of the Identity Protection Act.

**Commission Response**

We accept the recommendation.

Though the Policy containing the specific cites to the law was not officially signed until May 3, 2012, our privacy and security practices have been compliant with this law and other state and federal laws for many years.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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

**Finding 12-4 Contract Creation and Execution**

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

During our examination of State contracts, we noted that 2 of 2 contracts for legal services sampled (100%) totaling \$750,000 did not contain the required disclosure that the contracts are not subject to the Illinois Indemnification Act (Act) (5 ILCS 350). The values of the contracts were \$250,000 and \$500,000.

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

Commission officials stated lack of compliance with this requirement was due to staff reorganization.

Failure to make the proper disclosure to the Comptroller that a contract for legal services is not subject to the Act makes it appear that a contract is subject to the Act and requires approval from the Office of the Attorney General. (Finding Code Nos. 12-4, 10-8)

**Recommendation**

We recommend the Commission adopt procedures to ensure that the creation and execution of all legal contracts comply with the SAMS requirement to disclose that the legal contracts are not subject to the Act.

**Commission Response**

We accept the recommendation.

The error occurred in FY11 for the CODs noted. A process has since been put in place to help ensure CODs for all legal contracts have the proper disclosure.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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

**Finding 12-5 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.

During our examination of a sample of contracts, we noted the following:

- For contracts paid from appropriated funds, we noted 7 of 50 (14%) were submitted to the Comptroller late, and 6 (12%) required Late Filing Affidavits to be submitted. The contracts were filed 34 to 51 days late. These contracts totaled \$3,272,316.
- For contracts paid from non-appropriated funds, we noted that 2 of 20 (10%) contracts sampled were submitted to the Comptroller late. Further, the required Late Filing Affidavits were submitted late. One contract was 40 days late and the other 95 days late. The contracts totaled \$450,000.

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

According to Commission officials, the late filings of contracts were primarily due to a significant increase in the number of contracts in FY2011.

Failure to file contracts with the Comptroller as required by SAMS deprives the Comptroller of information needed to fulfill its duties to monitor State contracts. (Finding Code Nos. 12-5, 10-7, 08-6)

**Recommendation**

We recommend the Commission review its procedures for the filing of contracts with the Comptroller to ensure all documents are submitted in a timely fashion.

**Commission Response**

We accept the recommendation.

This finding was a carryover from the prior compliance audit. The Commission has implemented quality control measures to help ensure contracts will be filed timely in the future.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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

**Finding 12-6 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.

To initiate a purchase requisition, the Commission requires employees to complete a Master Requisition Form (MRF). The MRF may be completed by anyone at the Commission. A Division Account Liaison or Director must approve the MRF for it to be processed by the Purchasing Department. The Division Account Liaison is responsible for tracking their division's expenditures against budget. Additionally, Liaisons are responsible for coding the MRFs with the appropriate fund number. During our examination of 64 vouchers, we noted 17 (27%) totaling \$22,063.57 that were signed as "requisitioner" and "Liaison" by the same individual.

Good internal control requires an adequate segregation of duties. This would include a segregation of the requisition request function from the approval function. Additionally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls, which provide assurance that revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

According to Commission officials, the requisition and approval of MRFs by the same individual was due to staff turnover.

Allowing individuals to initiate and approve requisitions increases the chance that unauthorized purchases will be processed through the system. (Finding Code No. 12-6)

**Recommendation**

We recommend the Commission segregate the function of preparing purchase requisitions from the function of approving purchase requisitions.

**Commission Response**

We accept the recommendation.

This finding was a carryover from the prior compliance audit. This process was changed during FY12. All MRFs are required to be approved by the division director.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-7 Incomplete and Inaccurate Information on Agency Workforce Report**

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

During our examination, we noted the following exceptions on the Commission's Agency Workforce Reports (AWR):

- For the year ended June 30, 2011, the AWR did not include demographic information from the proper reporting period.
- There were inaccuracies in the footing of the number of Commission employees reported in the AWR for the year ended June 30, 2010.

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

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

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

According to Commission officials, the inaccuracies are attributable to incorrect search date results that were generated by the Human Resource database. Amended AWR's for calendar years 2010 and 2011 were completed and submitted on November 13, 2012, and sent to the Secretary of State and the Office of the Governor.

Failure to submit complete and accurate information on the Commission's Agency Workforce Reports could deter efforts by State officials and administrators to achieve a more diversified State work force. (Finding Code Nos. 12-7, 10-10)

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

**Finding 12-7 Incomplete and Inaccurate Information on Agency Workforce Report (Continued)**

**Recommendation**

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

**Commission Response**

We accept the recommendation.

The process has been revised and additional controls have been implemented so that the report is reviewed and checked to help ensure accuracy going forward.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-8 Missing and Untimely Employee Performance Evaluations**

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

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

- The performance evaluations of 13 of 30 employees (43%) sampled were submitted late to the Human Resource Department (HRD). These evaluations were submitted between 1 and 104 days late.
- 2 of 30 (7%) employees sampled did not receive a performance evaluation during fiscal year 2011.

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 from May 1 through April 30 of each year.

According to Commission officials, there was extensive staff turnover at a very senior level which impacted completion of performance appraisals.

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. 12-8, 10-9)

**Recommendation**

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

**Commission Response**

We accept the recommendation.

HRD will monitor receipt of appraisals to help ensure performance appraisals are completed timely going forward.



**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-9 Omission of Analytical Factors from Monetary Award Program (MAP) Assessment**

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

During our examination, we noted the Commission failed to assess certain aspects of monetary award program (MAP) recipients including:

- analysis of the student's chosen field of study,
- the student's class level, and
- the type of higher education institution the student is enrolled in.

Since February 1, 1999, pursuant to the Higher Education Student Assistance Act (Act) (110 ILCS 947/38), the Commission has been required to submit an assessment report on MAP to the General Assembly and the Board of Higher Education at least every two years.

Pursuant to the Act, "The Commission is directed to assess the educational persistence of monetary award program recipients. An assessment under this Section shall include an analysis of such factors as undergraduate educational goals, chosen field of study, retention rates, and expected time to complete a degree. The assessment also shall include an analysis of the academic success of monetary award program recipients through a review of measures that are typically associated with academic success, such as grade point average, satisfactory academic progress, and credit hours earned. Each analysis should take into consideration student class level, dependency types, and the type of higher education institution at which each monetary award program recipient is enrolled."

According to Commission officials, since legislators are periodically updated on the factors identified in the statute, the annual assessment report did not specifically cover all the factors required.

By not complying with the Act, the Commission has not provided all the MAP assessment data mandated by the General Assembly. (Finding Code No.12-9)

**Recommendation**

We recommend the Commission comply with the Act and include all information required in the MAP assessment report, in order to ensure members of the General Assembly have access to all data required by the Act or seek legislative remedy to the statutory requirement.

**Commission Response**

We accept the recommendation.

While the Commission agrees that this report did not include the items noted above, the data was provided to the legislature. However, beginning in FY2013 the report included the elements noted, and the information will be included in submissions going forward.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-10 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 (Act).

During our examination, we noted that for 1 of 25 students (4%) sampled, the Commission issued payments that exceeded the maximum allowable 8 semesters for a student's higher education institution's expenses in accordance with the Act. The overpayment totaled \$8,760.

The Act (110 ILCS 947/55) states "Grants shall be provided for any spouse, natural child, legally adopted child, or child in the legal custody of police officers and fire officers killed or permanently disabled with 90% to 100% disability in the line of duty while employed by, or in the voluntary service of, this State or any local public entity in this State. Beneficiaries need not be Illinois residents at the time of enrollment in order to receive this grant. Beneficiaries are entitled the equivalent of 8 semesters or 12 quarters of payment of tuition and mandatory fees at the rate established by the Commission for private institutions in the State of Illinois, provided the recipient is maintaining satisfactory academic progress. This benefit may be used for undergraduate or graduate study. The benefits of this Section shall be administered by and paid out of funds available to the Commission and shall accrue to the bona fide applicant without the requirement of demonstrating financial need to qualify for those benefits."

According to Commission officials, an administrative error attributed to the overpayment. Processes have been implemented to prevent overpayments in the future. Commission officials also indicated that they requested and received recoupment of the overpayment of \$8,760 in fiscal year 2013.

By not complying with the Act, the Commission has not properly utilized State funds, resulting in an overpayment of grant awards totaling \$8,760. (Finding Code No 12-10)

**Recommendation**

We recommend the Commission comply with the Act and improve controls over police officer and fire officer grants to ensure overpayments are not made when a student attends multiple institutions.

**Commission Response**

We accept the recommendation.

ISAC agrees with the finding and has implemented improved controls to help ensure that eligibility is being determined at the time payment is authorized for each term.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-11 Failure to Certify Open Meetings Act**

The Illinois Student Assistance Commission (Commission) failed to comply with an Open Meetings Act (OMA) requirement in a timely manner.

During our review of OMA training certifications, we noted that 2 of 3 (67%) OMA designated members failed to meet training requirements. The deadline for the completion of the OMA training was no later than June 30, 2012. The two designated members completed the OMA training on October 17, 2012 and November 13, 2012, 109 and 136 days after the deadline, respectively.

The Open Meetings Act (5 ILCS 120/1.05(a)) states that “every public body shall designate employees, officers, or members to receive training on compliance with this Act. Each public body shall submit a list of designated employees, officers, or members to the Public Access Counselor. Within 6 months after the effective date of this amendatory Act of the 96th General Assembly, the designated employees, officers, and members must successfully complete an electronic training curriculum, developed and administered by the Public Access Counselor, and thereafter must successfully complete an annual training program. Thereafter, whenever a public body designates an additional employee, officer, or member to receive this training, that person must successfully complete the electronic training curriculum within 30 days after that designation”.

According to Commission officials, this was due to an oversight by those involved.

Failure to attain required training as required by the Act may result in designated public officials being unaware of the provisions of the Act, which further increases the risk of noncompliance with the Act. (Finding Code No. 12-11)

**Recommendation**

We recommend the Commission ensure compliance with the requirements of the Open Meetings Act.

**Commission Response**

We accept the recommendation.

Control measures have been put in place to help ensure training is completed timely in the future.

**State of Illinois  
Illinois Student Assistance Commission**

**Two Years Ended June 30, 2012**

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

**Finding 12-12 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.

During our examination we noted that 6 of 60 (10%) required C-08 forms (Notice of Payment of Bond Interest and/or Principal) were not sent to the Comptroller's Office in a timely fashion. The delinquent C-08 forms were filed between 30 and 365 days late.

Statewide Accounting Manual System (SAMS Procedure 31.30.20) requires a C-08 form to be submitted to the Comptroller within 30 days from the date the voucher is processed for payment of principal and/or interest or within 15 days from the agency's receipt of the trustee's monthly statement.

According to Commission officials, the trustee copied the appropriate parties at the Comptroller's Office on the C-08's. For the exceptions noted, the trustee failed to copy the appropriate parties and Illinois Designated Account Purchase Program personnel didn't notice that the parties weren't copied.

Failure to timely submit Form C-08's to the Comptroller inhibits the Comptroller from performing its responsibilities to record and monitor State debt. (Finding Code No. 12-12)

**Recommendation**

We recommend the Commission work with its trustees to ensure all required revenue bond reporting to the Comptroller's Office is completed on a timely basis.

**Commission Response**

We accept the recommendation.

We have implemented a quality control process to help ensure the C-08 forms will be filed timely by the trustee.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-13 Mandates Funding Not Requested**

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

During our examination, we noted that for 4 of 31 (13%) mandates selected for testing, there were no appropriations from the General Assembly in fiscal years 2012 and 2011. In addition, we noted that the Commission did not request funding relating to these programs to enable it carry out its responsibilities as required under the mandates. The applicable programs and mandates 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
- Higher Education Student Assistance Act, 110 ILCS 947/65.75

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.

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 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 in the prior 12 months, meet certain other eligibility requirements and plan to attend an institution of higher education full-time in the State of Illinois.

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

**Finding 12-13 Mandates Funding Not Requested (Continued)**

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, is 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 No. 12-13)

**Recommendation**

We recommend the Commission request funding from the General Assembly for its mandated programs or seek legislative remedy 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 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. In fact, subsequent to the General Assembly establishing the four programs cited, they chose to not appropriate any funds.

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. Given 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. 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.

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 student to less than ten percent. Additionally, the Commission also works in conjunction with the Illinois Board of Higher Education and the Governor's Office of Management and Budget in making its funding recommendations.

However, to ensure the G.A. is aware of all the ISAC programs subject to appropriation, we will include them in budget requests going forward, requesting zero dollars or another amount as the Commission may determine in the future.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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

**Finding 12-14 Failure to Establish College Savings Program**

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

During our examination we determined that the Commission had not implemented a college savings program for Illinois citizens in accordance with the Higher Education Student Assistance Act (Act) (110 ILCS 947/75) effective August 13, 1989.

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

According to Commission officials, a college savings program known as the ICAN program was established by the Commission in accordance with the Act. However, the program was discontinued in 2002 due to lack of activity. The Commission worked with the General Assembly and they filed House Bill 5593 on February 15, 2012 to have this statute repealed. Other legislative and agency priorities were of greater importance than the repeal at the time, and the Commission determined that they would pursue it at a later time. The Commission again worked with the General Assembly and they have filed House Bill 2674 on March 22, 2013 to repeal this statutory requirement.

By not complying with the Act the Commission has not provided the citizens of the State of Illinois a college saving program mandated by the General Assembly. (Finding Code Nos. 12-14, 10-11)

**Recommendation**

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

**Commission Response**

We accept the recommendation.

As noted, HB2674 to repeal this legislation was filed in March 2013 and has now been passed by the House and the Senate. We expect this Act to be repealed in the near future.

**State of Illinois  
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**Two Years Ended June 30, 2012**

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**Prior Findings Not Repeated**

**A. Procurement Law Not Followed**

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission (Commission) did not comply with the competitive procurement requirements of the Illinois Procurement Code. (Finding Code Nos. 11-1, 10-1)

The Commission has strengthened its procurement process by adding additional levels of review, as well as filling key management positions. No exceptions were noted regarding noncompliance with procurement laws during fiscal year 2012 sample audit testing.

**B. Noncompliance with Investment Policy**

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission (Commission) did not fully comply with the guidelines established in its investment policy. (Finding Code No. 11-2)

The Commission conducted a formal review of its investment policy and adopted a new investment policy in fiscal year 2012. We also noted several changes made to the management and administration of the Program, including the hiring of a new Chief Investment Officer in December 2011 and a new Executive Director in February 2012. In addition, procedures were put in place to ensure the investment committee and investment advisory panel performed their duties as stated in the existing investment policy. No noncompliance with the investment policy was noted during fiscal year 2012 sample audit testing.

**C. Financial Statement Preparation**

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission (Commission) does not have sufficient control over its financial statement preparation. Errors in reporting investment credit ratings were discovered by auditors. (Finding Code No. 11-3)

The Commission has worked closely with the custodian to provide accurate investment ratings at year end. No exceptions were noted in the investment ratings disclosures during fiscal year 2012 sample audit testing.

**D. Alternative Investment Oversight and Manager Fees**

The Illinois Prepaid Tuition Program of the Illinois Student Assistance Commission (the Commission) has not established policies and procedures to monitor and value its alternative investments for financial reporting purposes. Additionally, review of fees paid to investment managers was not adequately documented. (Finding Code No. 11-4)

The Commission has hired a new Chief Investment Officer, who works closely with the investment managers to ensure that investment values are properly recorded each month as well as perform a review of fees paid to investment managers. We noted that our recommendations for oversight of alternative investments and management fees had been implemented during fiscal year 2012 sample audit testing.



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**Prior Findings Not Repeated (Continued)**

**E. Timeliness of Actuarial Valuation Report**

The Illinois Student Assistance Commission (Commission) did not obtain a final actuarial valuation report pertaining to the soundness of the College Illinois Program, in a timely fashion. (Finding Code No. 11-5)

The Commission hired a new actuary in fiscal year 2012. We noted the actuarial valuation report for fiscal year 2012 was received in a timely manner.

**F. Competitive Procurement Requirements Not Followed**

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not comply with certain competitive procurement requirements of the Illinois Procurement Code. (Finding Code No. 11-6)

The Commission has strengthened its procurement process by adding additional levels of review, as well as filled key management positions. No exceptions were noted regarding noncompliance with procurement laws during fiscal year 2012 sample audit testing.

**G. Financial Reporting Process**

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not have sufficient control over financial reporting. (Finding Code Nos. 11-7, 10-2, 09-3, 08-5)

Based on our review of the draft financial statements for fiscal year 2012 provided by the Illinois Designated Account Purchase Program, we did not note any significant errors or omissions relating to reporting or disclosures in the draft financial statements.

**H. Student Loan Payments Not Processed Correctly**

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) did not properly apply student loan payments to principal and interest. (Finding Code Nos. 11-8, 10-3)

This issue was resolved with the external service organization utilized by the Illinois Designated Account Purchase Program (IDAPP) during fiscal year 2012. The resulting adjustment was recorded by IDAPP in the current fiscal year. We noted no exceptions with the application of student loan principal and interest during fiscal year 2012 sample audit testing.

**I. Noncompliance with Write-Off Policy**

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) was not in compliance with its non-cash write-off policy regarding the student loan receivable balances. (Finding Code Nos. 11-9, 10-5)

No exceptions were noted in this area during fiscal year 2012 sample audit testing.

**State of Illinois  
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**Prior Findings Not Repeated (Continued)**

**J. Noncompliance with Investment Policy**

The Illinois Student Assistance Commission (Illinois Designated Account Purchase Program) invested in a money market mutual fund with holdings in securities not permitted by its investment policy. (Finding Code No. 10-4)

The non-compliant investment was sold and the funds moved into a compliant investment on December 16, 2010. No noncompliant investments were noted during fiscal year 2011 audit testing.

**K. Use of Appropriated Funds**

The Illinois Student Assistance Commission (Commission) did not expend appropriated funds in accordance with the purpose for which the funds were appropriated by the State. (Finding Code No. 10-12)

During our fiscal year 2011 and 2012 sample testing, we did not note any exceptions related to the Commission spending that was not in accordance with the purpose of the appropriation of funds.

### 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. 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. Of the remaining 5 recommendations, 2 were partially implemented, and 3 were not implemented. A summary of our follow-up is as follows:

- ***Recommendation #1 The Illinois Student Assistance Commission should examine the current organizational structure of the College Illinois Program and implement changes to make operations more cohesive and to enhance accountability.***

We noted that the Commission reviewed the organizational structure for the College Illinois Program. The Commission noted that the Program is operated through cross functional teams which report directly to the Executive Director. Commission management believes that this structure is cohesive and provides sufficient controls to ensure accountability and cost efficiency to the program.

Status: Implemented

- ***Recommendation #2 The Illinois Student Assistance Commission should ensure that its Statement of Investment Policy is approved on an annual basis as required by the Prepaid Tuition Act. The Commission should also conduct a formal review of its policy to ensure that asset classes are defined, that operational guidelines are included for each asset class, and that the Investment Policy is serving its intended purpose.***

We noted that the Commission adopted a new Statement of Investment policy on June 25, 2012 that clearly defines and establishes operational guidelines for each asset class. The agency's Chief Investment Officer and the General Counsel and Compliance Officer are responsible for ensuring there is a formal annual review of the policy.

Status: Implemented

- ***Recommendation #3 The Illinois Student Assistance Commission should assess the need for the Portfolio Committee. If the Commission decides to maintain the Portfolio Committee, it should redefine the membership of the Committee and ensure that it meets monthly to review and rebalance the investment portfolio. The Program's Investment Consultant should be included in any meetings of the Portfolio Committee.***

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

We noted that the Commission assessed its need for the Portfolio Committee and that as of June 25, 2012 the revised Investment Policy replaces the Portfolio Committee with a requirement that the Chief Investment Officer (CIO) keep the Executive Director informed regarding the Prepaid Tuition Program Fund activity and performance and that the CIO coordinate joint meetings with the Executive Director and Investment Consultant as needed, but at least quarterly. We reviewed minutes of the monthly meetings noting that all functions appear to be properly executed.

Status: Implemented

- ***Recommendation #4. The Illinois Student Assistance Commission should assess the duties of the newly formed Investment Committee and revise the Investment Policy accordingly. The Commission should then ensure that the Investment Committee is fulfilling the duties outlined in the Investment Policy.***

We noted that the Commission revised the Investment Policy stating clearly, the duties of the Investment Committee. We reviewed minutes of the Investment Committee meetings and noted it appears they are fulfilling their duties as outlined in the Investment Policy.

Status: Implemented

- ***Recommendation #5. The Illinois Student Assistance Commission should ensure that the Investment Advisory Panel fulfills its statutory duties including:***
  - ***Meeting at least twice annually;***
  - ***Meeting publicly with the Commission at least once per year;***
  - ***Filing statements of economic interest in a timely fashion; and***
  - ***Reviewing and advising the Commission with regard to the annual report.***

***ISAC staff should ensure that any advice and counsel provided by the Panel regarding investments of the Program is relayed to the Commission. The Advisory Panel should submit its meeting minutes to the Commission to be reviewed at the subsequent Commission meeting.***

We noted that the Investment Advisory Panel held its first meeting on December 29, 2011 and since that date, has functioned in its role as stated in the policy. The Investment Policy requires that the Advisory Panel should meet at least twice annually. We reviewed minutes from meetings on January 27, 2012, February 23, 2012, and May 23, 2012. The Investment Advisory Panel met with the Commission on January 27, 2012 and the Investment Committee of the Commission on May 23, 2012 and December 3, 2012. The Investment Advisory Panel advised the Investment Committee of the Commission in regard to the Annual Report at the December 3, 2012 meeting. Further, we sighted statements of economic interest in FY 2011 and FY 2012, noting that the statements were filed timely.

Two Years Ended June 30, 2012

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Prepaid Tuition Program Management Audit – Prior Findings Follow-Up (Continued)

Status: Implemented

- ***Recommendation #6*** *The Illinois Student Assistance Commission should examine its process used to select investment managers and determine the role of its Investment Consultant in the process. The Commission should also ensure that:*
  - *Interviews/presentations are documented including who attended, the presentation given, and questions asked by evaluators;*
  - *Selections are supported by rationale that justifies the number of vendors selected;*
  - *The procurement files contain all completed evaluations. The evaluations should also include notes that support the scores given;*
  - *The combined score sheets are reviewed to ensure they are free of errors; and*
  - *The proposals are evaluated based on the criteria specified in the Request for Proposals.*

We noted that the Commission followed all of the recommendations in the recent selection of a passive domestic equity manager. We noted that the investment consultant now participates in the evaluation process and that the agency's Compliance Officer will now monitor all future procurements. We sighted the procurement documentation and noted that it appears to be in compliance with the Illinois Procurement law.

Status: Implemented

- ***Recommendation #7*** *The Illinois Student Assistance Commission should comply with the requirements set forth in the Illinois Procurement Code and administrative rules in procuring professional and artistic services. Prior to approving funding, the Commission should ensure that investment managers were selected through a competitive selection process.*

We noted that the Commission stated that all Commission procurements are being supervised by the Agency Procurement Officer and subject to review and approval by State Procurement officials. We noted that new investment managers were selected through a competitive selection process.

Status: Implemented

- ***Recommendation #8*** *The Illinois Student Assistance 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 ISAC investments for any ISAC 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 as of the end of fieldwork in December 2012 the Commission had not updated the employee ethics policy. We noted that the policy was last updated on July 1, 2006. The Commission has stated that the policy will be revised in fiscal year 2013.

Two Years Ended June 30, 2012

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

Status: Not Implemented

- ***Recommendation #9*** *The Illinois Student Assistance Commission should revise its Investment Policy to clarify its position on direct private equity investments and similar private equity investments where a substantial amount of funds is invested in a single company.*

We noted that the Investment Policy was revised and approved by the Board of Commissioners on June 25, 2012. We sighted the policy, noting that the policy states that new commitments or search activity for private equity or similar closed-end investments cannot be initiated without the express approval of the Commission. Additionally, the new policy prohibits direct private equity investments or co-investments that are tied to a single company or investment.

Status: Implemented

- ***Recommendation #10*** *The Illinois Student Assistance Commission should:*
  - *ensure that all positions contain position descriptions that outline the education and experience needed for the position;*
  - *ensure that only the salaries for employees whose work relates directly to the Program are charged as a direct payroll expense; and*
  - *examine its practice of making additional payments to employees at the end of their employment.*

We noted that the Commission performed a systematic review to ensure that updated job descriptions have been completed as well as ensuring that all employees meet the stated job qualifications. The Commission also eliminated direct payroll expense and now allocates payroll cost based on actual time spent on each program. ISAC management stated that in fiscal year 2013, the Executive Director will be making a comprehensive recommendation to the Board of Commissioners relating to the use of severance, voluntary separation agreements and other forms of payout that could occur at the point of employment termination.

Status: Partially Implemented. Bullets #1 and #2 were implemented. Bullet #3 had not been implemented by the end of the compliance examination fieldwork in December 2012.

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

The next annual report was not released until March 2013, outside the compliance examination period ending June 30, 2012 and the end of fieldwork in December 2012. Auditors will examine whether the Commission implemented this recommendation during our next compliance examination.

Two Years Ended June 30, 2012

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Prepaid Tuition Program Management Audit – Prior Findings Follow-Up (Continued)

Status: Not Implemented

- ***Recommendation #12 The Illinois Student Assistance Commission should ensure that assumptions used in both the actuarial report and in setting contract prices are supported by documentation that shows how the assumptions were established.***

We noted that the Commission documented the assumptions provided to its outside consultant, Gabriel, Roeder and Smith (GRS), for use in preparing the actuarial soundness report as of the fiscal year ended June 30, 2012. We sighted supporting documentation regarding the actuarial assumptions, including the assumed investment rate of return, discount rate and tuition increase rate.

Status: Partially Implemented. The Commission implemented the recommendation in regards to supporting its actuarial assumptions used in its actuarial report. The Commission had not implemented the recommendation as it pertains to supporting the actuarial assumption for contract pricing as of the end of the compliance examination period ending June 30, 2012.

- ***Recommendation #13 The Illinois Student Assistance 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 continued to use the previous pricing model for the enrollment period that ended in December 2012. According to Commission management, effective January 2013, contract prices were increased by 4%. For fiscal year 2014, the Commission stated they will be reviewing and revising the pricing structure as deemed necessary.

Status: Not Implemented

- ***Recommendation #14 The Illinois Student Assistance Commission staff should provide information to Commission members on budgeted vs. actual expenses. The information provided should coincide with the categories in the approved budget so that Commission members can make meaningful comparisons.***

We noted that starting with the Commission's meeting on June 25, 2012, budget information is being presented in a consistent format to facilitate comparisons with actual amounts. We sighted the September 2012 budget, noting that the recommendations had been properly implemented.

Status: Implemented

State of Illinois  
Illinois Student Assistance Commission

Two Years Ended June 30, 2012

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Prepaid Tuition Program Management Audit – Prior Findings Follow-Up (Continued)

- ***Recommendation #15*** *The Illinois Student Assistance Commission should establish a cost allocation policy or a payment methodology that establishes a reasonable basis of allocating expenses to ensure a consistent allocation of expenses from year to year.*

We noted that a cross-functional team was established to develop a new agency-wide cost allocation plan as well as a revised process that allocates expenses based on actual time spent on each program. The Commission established an agency-wide cost allocation policy in July 2012.

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 Balance Sheet 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)
- Emergency Purchases (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 2012  
 Fourteen Months Ended August 31, 2012

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/1/11 - 8/31/12 (1) (2)	Approximate Total Expenditures (2)	Approximate Balances Lapsed (2)
<b>Public Act. 97-0069</b>					
<b>Public Act. 97-0642</b>					
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 001:</b>					
Monetary Awards Program grant awards	\$ 386,680,000	\$ 386,677,109	\$ (891,778)	\$ 385,785,331	\$ 894,669
Total General Revenue Fund	\$ 386,680,000	\$ 386,677,109	\$ (891,778)	\$ 385,785,331	\$ 894,669
<b>Education Assistance Fund - 007:</b>					
Grants and scholarships:					
Veteran's home nurses loan payments	\$ 50,000	\$ 12,500	\$ 5,000	\$ 17,500	\$ 32,500
Veterans' scholarships	6,000,000	5,995,272	(1,018)	5,994,254	5,746
Nursing education students scholarships	300,000	298,870	-	298,870	1,130
Minority teacher scholarships	2,500,000	1,926,518	(13,334)	1,913,184	586,816
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	950,000	454,020	495,957	949,977	23
National guard and naval militia scholarships	4,400,000	2,807,005	1,573,446	4,380,451	19,549
IL Scholars scholarships	3,160,000	3,040,000	(5,000)	3,035,000	125,000
IL Future Teachers Corps scholarships	2,000,000	1,937,945	10,000	1,947,945	52,055
College savings bond grants to eligible students	325,000	324,660	-	324,660	340
Loan repayment for Teachers Program	500,000	499,836	(27,538)	472,298	27,702
Total Education Assistance Fund	\$ 20,185,000	\$ 17,296,626	\$ 2,037,513	\$ 19,334,139	\$ 850,861
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Payment of Byrd Honors scholarships	3,000,000	1,021,501	-	1,021,501	1,978,499
Total Federal Congress Teacher Scholarship Fund	\$ 3,400,000	\$ 1,021,501	\$ -	\$ 1,021,501	\$ 2,378,499

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2012  
 Fourteen Months Ended August 31, 2012

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/1/11 - 8/31/12 (1) (2)	Approximate Total Expenditures (2)	Approximate Balances Lapsed (2)
<b>ISAC Accounts Receivable Fund - 242:</b>					
Cost associated with collecting delinquent scholarship awards	\$ 300,000	\$ 11,601	\$ -	\$ 11,601	\$ 288,399
<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	\$ -
<b>University Grant Fund - 418:</b>					
Higher education license plate program grants	\$ 80,000	\$ 74,600	\$ -	\$ 74,600	\$ 5,400
<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	\$ 194,376,506	\$ 17,788,873	\$ 212,165,379	\$ 77,834,621
<b>Student Loan Operations Fund - 664:</b>					
Administration:					
Personal services	\$ 17,208,900	\$ 12,120,210	\$ 25,424	\$ 12,145,634	\$ 5,063,266
State contribution to State Employees' Retirement Fund	4,883,400	4,133,371	8,692	4,142,063	741,337
State contribution to Social Security	1,316,600	883,311	1,906	885,217	431,383
State contribution for employees' group insurance	4,867,400	3,678,157	1,868	3,680,025	1,187,375
Contractual services	12,630,700	6,152,699	431,343	6,584,042	6,046,658
Collection agency fees	15,000,000	2,054,543	173,899	2,228,442	12,771,558
Travel	311,000	28,164	3,392	31,556	279,444
Commodities	282,200	27,710	110	27,820	254,380
Printing	501,000	75,435	8,155	83,590	417,410
Equipment	540,000	91,865	2,034	93,899	446,101
Telecommunications	1,897,900	344,531	71,867	416,398	1,481,502
Operation of automotive equipment	38,400	29,596	1,367	30,963	7,437
Costs associated with Federal Loan System development and maintenance	3,500,000	4,730	5,600	10,330	3,489,670
Governor's discretionary appropriation	33,500,000	25,460,354	7,933,000	33,393,354	106,646
Payment of federal default fee	10,000,000	262	191	453	9,999,547
<b>Total Student Loan Operations Fund</b>	<b>\$ 106,477,500</b>	<b>\$ 55,084,938</b>	<b>\$ 8,668,848</b>	<b>\$ 63,753,786</b>	<b>\$ 42,723,714</b>

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2012  
 Fourteen Months Ended August 31, 2012

Schedule 1

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Approximate Lapse Period Expenditures 7/1/11 - 8/31/12 (1) (2)	Approximate Total Expenditures (2)	Approximate Balances Lapsed (2)
<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	\$ 5,348,538	\$ 239,855	\$ 5,588,393	\$ 9,411,607
Monetary Award Program grant awards	4,000,000	272,506	-	272,506	3,727,494
Total Federal Student Incentive Trust Fund	\$ 19,000,000	\$ 5,621,044	\$ 239,855	\$ 5,860,899	\$ 13,139,101
<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>					
Illinois Future Teachers Corp scholarships	\$ 57,000	\$ -	\$ -	\$ -	\$ 57,000
Grant awards to Golden Apple Foundation	3,000	-	-	-	3,000
Total IL Future Teacher Corps Scholarships Fund	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
<b>Totals - All Appropriated Funds</b>	<b>\$ 851,252,500</b>	<b>\$ 660,213,925</b>	<b>\$ 27,843,311</b>	<b>\$ 688,057,236</b>	<b>\$ 163,195,264</b>
<b>Nonappropriated Funds:</b>					
<b>Illinois Prepaid Tuition Trust Fund - 557:</b>					
Lump sum expenditures for operations		\$ 137,456,319	\$ 1,704,551	\$ 139,160,870	
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program expenditures		\$ 1,999,947	\$ -	\$ 1,999,947	
<b>Total - All Nonappropriated Funds</b>		<b>\$ 139,456,266</b>	<b>\$ 1,704,551</b>	<b>\$ 141,160,817</b>	
<b>Total - All Funds</b>		<b>\$ 799,670,191</b>	<b>\$ 29,547,862</b>	<b>\$ 829,218,053</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 2012 SB01 report.

(2) Approximate lapse period expenditures do not include interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August.

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances  
 Appropriations for Fiscal Year 2011  
 Fourteen Months Ended August 31, 2011

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/1/10 - 8/31/11 (1)	Total Expenditures (1)	Balances Lapsed
<b>Public Act. 96-0956</b>					
<b>Public Act 96-0957</b>					
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 001:</b>					
Operational expenses, awards, grants and permanent improvements	\$ 425,031,100	\$ 410,840,721	\$ 4,229,922	\$ 415,070,643	\$ 9,960,457
Governor's discretionary appropriation	30,000,000	30,000,000	-	30,000,000	-
<b>Total General Revenue Fund</b>	<b>\$ 455,031,100</b>	<b>\$ 440,840,721</b>	<b>\$ 4,229,922</b>	<b>\$ 445,070,643</b>	<b>\$ 9,960,457</b>
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Payment of Byrd Honors scholarships	3,000,000	1,953,500	(10,000)	1,943,500	1,056,500
<b>Total Federal Congress Teacher Scholarship Fund</b>	<b>\$ 3,400,000</b>	<b>\$ 1,953,500</b>	<b>\$ (10,000)</b>	<b>\$ 1,943,500</b>	<b>\$ 1,456,500</b>
<b>ISAC Accounts Receivable Fund - 242:</b>					
Costs associated with collecting delinquent scholarship awards	\$ 300,000	\$ 79	\$ 12,477	\$ 12,556	\$ 287,444
<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	\$ -
<b>University Grant Fund - 418:</b>					
Higher education license plate program grants	\$ 70,000	\$ 70,000	\$ -	\$ 70,000	\$ -
<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	\$ 216,034,192	\$ 15,727,714	\$ 231,761,906	\$ 58,238,094

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2011  
 Fourteen Months Ended August 31, 2011

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/1/10 - 8/31/11 (1)	Total Expenditures (1)	Balances Lapsed
<b>Student Loan Operations Fund - 664:</b>					
Administration:					
Personal services	\$ 17,208,900	\$ 13,214,145	\$ 24,557	\$ 13,238,702	\$ 3,970,198
State contribution to State Employees' Retirement Fund	4,883,400	3,580,353	5,418	3,585,771	1,297,629
State contribution to Social Security	1,316,600	963,757	1,545	965,302	351,298
State contribution for employees' group insurance	4,867,400	3,348,153	1,261	3,349,414	1,517,986
Contractual services	12,630,700	6,146,837	902,786	7,049,623	5,581,077
Collection agency fees	15,000,000	1,847,500	202,681	2,050,181	12,949,819
Travel	311,000	41,199	1,679	42,878	268,122
Commodities	282,200	60,568	357	60,925	221,275
Printing	501,000	29,671	18,156	47,827	453,173
Equipment	540,000	16,276	9,752	26,028	513,972
Telecommunications	1,897,900	325,378	73,642	399,020	1,498,880
Operation of automotive equipment	38,400	28,501	2,812	31,313	7,087
Costs associated with Federal Loan System development and maintenance	3,500,000	2,881	-	2,881	3,497,119
Payment of federal default fee	10,000,000	340,064	-	340,064	9,659,936
<b>Total Student Loan Operations Fund</b>	<b>\$ 72,977,500</b>	<b>\$ 29,945,283</b>	<b>\$ 1,244,646</b>	<b>\$ 31,189,929</b>	<b>\$ 41,787,571</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	\$ 10,000,000	\$ 5,121,255	\$ 95,378	\$ 5,216,633	\$ 4,783,367
Monetary Award Program grant awards	4,000,000	4,000,000	-	4,000,000	-
<b>Total Federal Student Incentive Trust Fund</b>	<b>\$ 14,000,000</b>	<b>\$ 9,121,255</b>	<b>\$ 95,378</b>	<b>\$ 9,216,633</b>	<b>\$ 4,783,367</b>

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Appropriations, Expenditures, and Lapsed Balances - Continued  
 Appropriations for Fiscal Year 2011  
 Fourteen Months Ended August 31, 2011

Schedule 2

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/1/10 - 8/31/11 (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>					
Illinois Future Teachers Corp scholarships	\$ 57,000	\$ -	\$ -	\$ -	\$ 57,000
Grant awards to Golden Apple Foundation	3,000	-	-	-	3,000
Total IL Future Teacher Corps Scholarships Fund	\$ 60,000	\$ -	\$ -	\$ -	\$ 60,000
<b>Totals - All Appropriated Funds</b>	<b>\$ 860,908,600</b>	<b>\$ 698,015,030</b>	<b>\$ 21,300,137</b>	<b>\$ 719,315,167</b>	<b>\$ 141,593,433</b>

**Nonappropriated Funds:**

**Illinois Prepaid Tuition Trust Fund - 557:**

Lump sum expenditures for operations \$ 137,282,246 \$ (15,274) \$ 137,266,972

**ISAC Loan Purchase Program Payroll Fund - 773:**

Illinois Designated Account Purchase Program expenditures \$ 3,596,915 \$ - \$ 3,596,915

**Total - All Nonappropriated Funds**

\$ 140,879,161 \$ (15,274) \$ 140,863,887

**Total - All Funds**

\$ 838,894,191 \$ 21,284,863 \$ 860,179,054

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 2011 SB 01 report.

(Concluded)

## Illinois Student Assistance Commission

## Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

Years Ended June 30, 2012, 2011 and 2010

	Fiscal Year		
	2012	2011	2010
	P.A. 97-0069	P.A. 96-0956	P.A. 96-0792
	P.A. 97-0642	P.A. 96-0957	P.A. 96-0046
<b>General Revenue Fund - 001:</b>			
Appropriations (net after transfers)	\$ 386,680,000	\$ 455,031,100	\$ 425,031,100
Expenditures:			
Monetary Award Program grant awards	385,785,331	-	-
Operational expenses, awards, grants and permanent improvements	-	415,070,643	424,010,450
Governor's discretionary appropriation	-	30,000,000	-
Total expenditures	385,785,331	445,070,643	424,010,450
Lapsed balances	\$ 894,669	\$ 9,960,457	\$ 1,020,650
<b>Education Assistance Fund - 007:</b>			
Appropriations (net after transfers)	\$ 20,185,000	\$ -	\$ -
Expenditures:			
Veteran's home nurses loan payments	17,500	-	-
Veterans' scholarships	5,994,254	-	-
Nursing education students scholarships	298,870	-	-
Minority teacher scholarships	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	949,977	-	-
National guard and naval militia scholarships	4,380,451	-	-
IL Scholars scholarships	3,035,000	-	-
IL Future Teachers Corps scholarships	1,947,945	-	-
College savings bond grants to eligible students	324,660	-	-
Loan repayment for Teachers Program	472,298	-	-
Total expenditures	19,334,139	-	-
Lapsed balances	\$ 850,861	\$ -	\$ -
<b>Federal Congress Teacher Scholarship Fund - 092:</b>			
Appropriations (net after transfers)	\$ 3,400,000	\$ 3,400,000	\$ 3,400,000
Expenditures:			
Payment of Byrd Honors scholarships	1,021,501	1,943,500	1,955,876
Lapsed balances	\$ 2,378,499	\$ 1,456,500	\$ 1,444,124
<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	11,601	12,556	192
Lapsed balances	\$ 288,399	\$ 287,444	\$ 299,808

(Continued)



## Illinois Student Assistance Commission

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued  
Years Ended June 30, 2012, 2011 and 2010

	2012 P.A. 97-0069 P.A. 97-0642	2011 P.A. 96-0956 P.A. 96-0957	2010 P.A. 96-0792 P.A. 96-0046
<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)	\$ 80,000	\$ 70,000	\$ 70,000
Expenditures:			
Higher education license plate program grants	74,600	70,000	68,425
Lapsed balances	\$ 5,400	\$ -	\$ 1,575
<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	212,165,379	231,761,906	235,428,878
Lapsed balances	\$ 77,834,621	\$ 58,238,094	\$ 54,571,122
<b>Student Loan Operations Fund - 664:</b>			
Appropriations (net after transfers)	\$ 106,477,500	\$ 72,977,500	\$ 72,977,500
Expenditures:			
Personal services	12,145,634	13,238,702	13,353,951
State contribution to State Employees' Retirement Fund	4,142,063	3,585,771	3,792,853
State contribution to Social Security	885,217	965,302	967,874
State contribution for employees' group insurance	3,680,025	3,349,414	3,439,436
Contractual services	6,584,042	7,049,623	7,390,391
Collection agency fees	2,228,442	2,050,181	1,709,090
Travel	31,556	42,878	63,313
Commodities	27,820	60,925	119,412
Printing	83,590	47,827	92,264
Equipment	93,899	26,028	47,638
Telecommunications	416,398	399,020	409,682
Operation of automotive equipment	30,963	31,313	32,582
Costs associated with Federal Loan System development and maintenance	10,330	2,881	18,000
Governor's Discretionary Appropriation	33,393,354	-	-
Payment of federal default fee	453	340,064	872,138
Total expenditures	63,753,786	31,189,929	32,308,624
Lapsed balances	\$ 42,723,714	\$ 41,787,571	\$ 40,668,876

## Illinois Student Assistance Commission

Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances - Continued  
Years Ended June 30, 2012, 2011 and 2010

	2012	2011	2010
	P.A. 97-0069	P.A. 96-0956	P.A. 96-0792
	P.A. 97-0642	P.A. 96-0957	P.A. 96-0046
<b>ISAC Contracts and Grants Fund - 677:</b>			
Appropriations (net after transfers)	\$ 25,000,000	\$ 25,000,000	\$ 2,500,000
Expenditures:			
Costs to support outreach and training activities	-	-	191,506
Lapsed balances	\$ 25,000,000	\$ 25,000,000	\$ 2,308,494
<b>Federal Student Incentive Trust Fund - 701:</b>			
Appropriations (net after transfers)	\$ 19,000,000	\$ 14,000,000	\$ 9,000,000
Expenditures:			
College Access Challenge Grants	5,588,393	5,216,633	2,121,488
Monetary Award Program grant awards	272,506	4,000,000	3,862,620
Total expenditures	5,860,899	9,216,633	5,984,108
Lapsed balances	\$ 13,139,101	\$ 4,783,367	\$ 3,015,892
<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)	\$ 60,000	\$ 60,000	\$ 60,000
Expenditures:			
Illinois Future Teachers Corp scholarships	-	-	-
Grant awards to Golden Apple Foundation	-	-	-
Total expenditures	-	-	-
Lapsed balances	\$ 60,000	\$ 60,000	\$ 60,000
<b>Total All Appropriated Funds</b>			
Appropriations (net after transfers)	\$ 851,252,500	\$ 860,908,600	\$ 803,408,600
Expenditures	688,057,236	719,315,167	699,998,059
Lapsed balances	\$ 163,195,264	\$ 141,593,433	\$ 103,410,541

(Continued)

Illinois Student Assistance Commission

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

Years Ended June 30, 2012, 2011 and 2010

	2012 P.A. 97-0069 P.A. 97-0642	2011 P.A. 96-0956 P.A. 96-0957	2010 P.A. 96-0792 P.A. 96-0046
<b>Nonappropriated Funds:</b>			
<b>Illinois Prepaid Tuition Fund - 557:</b>			
Lump sum expenditures for operations	\$ 139,160,870	\$ 137,266,972	\$ 158,212,230
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>			
Illinois Designated Account Purchase Program expenditures	1,999,947	3,596,915	7,123,111
<b>Total - All Nonappropriated Funds</b>	<b>\$ 141,160,817</b>	<b>\$ 140,863,887</b>	<b>\$ 165,335,341</b>
<b>Total - All Funds</b>			
Expenditures	<b>\$ 829,218,053</b>	<b>\$ 860,179,054</b>	<b>\$ 865,333,400</b>

(Concluded)

Note: 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.

State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Changes in State Property  
 Two Years Ended June 30, 2012 and 2011  
 (Amounts expressed in thousands)

Schedule 4

	Balance			Balance			Balance
	July 1, 2010	Additions	Deletions	June 30, 2011	Additions	Deletions	June 30, 2012
Governmental activities:							
Capital assets not being depreciated:							
Land	\$ 2,700	\$ -	\$ -	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:							
Buildings	18,311	-	-	18,311	-	-	18,311
Equipment	552	5	(48)	509	-	-	509
Total capital assets being depreciated	18,863	5	(48)	18,820	-	-	18,820
Less accumulated depreciation:							
Buildings	(8,470)	(459)	-	(8,929)	(458)	-	(9,387)
Equipment	(551)	-	48	(503)	(1)	-	(504)
Total accumulated depreciation	(9,021)	(459)	48	(9,432)	(459)	-	(9,891)
Total capital assets being depreciated, net	9,842	(454)	-	9,388	(459)	-	8,929
Governmental activity capital assets, net	\$ 12,542	\$ (454)	\$ -	\$ 12,088	\$ (459)	\$ -	\$ 11,629
Business-type activities:							
<i>Illinois Designated Account Purchase Program Fund:</i>							
Capital assets being depreciated:							
Equipment	\$ 544	\$ -	\$ (15)	\$ 529	\$ -	\$ (97)	\$ 432
Less accumulated depreciation:							
Equipment	(519)	(14)	15	(518)	(7)	97	(428)
Total capital assets being depreciated, net	25	(14)	-	11	(7)	-	4
<i>Nonmajor Enterprise Funds:</i>							
Capital assets not being depreciated:							
Construction-in-progress	-	569	-	569	1,158	(1,441)	286
Capital assets being depreciated:							
Equipment and automobiles	1,069	-	(111)	958	62	(179)	841
Internally generated software	-	-	-	-	1,441	-	1,441
Less accumulated depreciation:							
Equipment and automobiles	(919)	(30)	111	(838)	(32)	179	(691)
Internally generated software	-	-	-	-	(72)	-	(72)
Total capital assets being depreciated, net	150	(30)	-	120	1,399	-	1,519
Business-type activities capital assets, net	\$ 175	\$ 525	\$ -	\$ 700	\$ 2,550	\$ (1,441)	\$ 1,809

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

This summary schedule was prepared using state property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

State of Illinois  
 Illinois Student Assistance Commission  
 Comparative Schedule of Cash Receipts  
 Years Ended June 30, 2012, 2011 and 2010  
 (Amounts expressed in thousands)

Schedule 5

	General Revenue Account			Federal Student Loan			Federal Student Incentive Trust		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Federal government receipts	\$ -	\$ -	\$ -	\$ 93,203	\$ 130,507	\$ 131,382	\$ 5,770	\$ 9,142	\$ 6,053
Other:									
Collections on defaulted student loans	-	-	-	42,540	41,204	39,872	-	-	-
Repurchased student loans	-	-	-	74,809	59,063	56,189	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	-	-	-
Repayments and reimbursements of loans	-	-	-	-	-	-	-	-	-
Portfolio maintenance fee	-	-	-	-	-	-	-	-	-
Federal direct consolidation fee	-	-	-	-	-	-	-	-	-
Federal student loan	-	-	-	-	-	-	-	-	-
Interfund payments	-	-	-	-	-	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-	-
Miscellaneous	724	629	502	-	-	-	-	-	-
Total other	724	629	502	117,349	100,267	96,061	-	-	-
Total receipts per Comptroller	\$ 724	\$ 629	\$ 502	\$ 210,552	\$ 230,774	\$ 227,443	\$ 5,770	\$ 9,142	\$ 6,053

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Comparative Schedule of Cash Receipts - Continued  
 Years Ended June 30, 2012, 2011 and 2010  
 (Amounts expressed in thousands)

Schedule 5

	Federal Congressional Teacher Scholarship			ISAC Accounts Receivable			Optometric Educational Scholarship		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Federal government receipts	\$ 1,035	\$ 1,937	\$ 1,957	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:									
Collections on defaulted student loans	-	-	-	-	-	-	-	-	-
Repurchased student loans	-	-	-	-	-	-	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	-	-	-
Repayments and reimbursements of loans	1	1	1	23	31	24	-	-	1
Portfolio maintenance fee	-	-	-	-	-	-	-	-	-
Federal direct consolidation fee	-	-	-	-	-	-	-	-	-
Federal student loan	-	-	-	-	-	-	-	-	-
Interfund payments	-	-	-	-	-	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total other	1	1	1	23	31	24	-	-	1
Total receipts per Comptroller	\$ 1,036	\$ 1,938	\$ 1,958	\$ 23	\$ 31	\$ 24	\$ -	\$ -	\$ 1

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Comparative Schedule of Cash Receipts - Continued  
 Years Ended June 30, 2012, 2011 and 2010  
 (Amounts expressed in thousands)

Schedule 5

	Contracts and Grants			Student Loan Operating			Illinois Prepaid Tuition Program		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Federal government receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:									
Collections on defaulted student loans	-	-	-	-	-	-	-	-	-
Repurchased student loans	-	-	-	-	-	-	-	-	-
Loan processing and issuance fee	-	-	-	-	139	1,740	-	-	-
Repayments and reimbursements of loans	-	-	-	-	-	-	-	-	-
Portfolio maintenance fee	-	-	-	3,549	3,929	4,286	-	-	-
Federal direct consolidation fee	-	-	-	10,013	8,199	6,564	-	-	-
Federal student loan	-	-	-	20,561	17,314	18,574	-	-	-
Interfund payments	-	-	-	3,500	30,000	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	137,933	131,788	111,395
Miscellaneous	-	-	-	677	1,238	1,334	-	-	-
Total other	-	-	-	38,300	60,819	32,498	137,933	131,788	111,395
Total receipts per Comptroller	\$ -	\$ -	\$ -	\$ 38,300	\$ 60,819	\$ 32,498	\$ 137,933	\$ 131,788	\$ 111,395

(Continued)

State of Illinois

Schedule 5

Illinois Student Assistance Commission  
 Comparative Schedule of Cash Receipts - Continued  
 Years Ended June 30, 2012, 2011 and 2010  
 (Amounts expressed in thousands)

	Illinois Designated Account Purchase Program			Total All Funds (memorandum only)		
	2012	2011	2010	2012	2011	2010
Federal government receipts	\$ -	\$ -	\$ -	\$100,008	\$ 141,586	\$ 139,392
Other:						
Collections on defaulted student loans	-	-	-	42,540	41,204	39,872
Repurchased student loans	-	-	-	74,809	59,063	56,189
Loan processing and issuance fee	-	-	-	-	139	1,740
Repayments and reimbursements of loans	-	-	-	24	32	26
Portfolio maintenance fee	-	-	-	3,549	3,929	4,286
Federal direct consolidation fee	-	-	-	10,013	8,199	6,564
Federal student loan	-	-	-	20,561	17,314	18,574
Interfund payments	2,006	3,604	7,126	5,506	33,604	7,126
Proceeds from sale of tuition contracts	-	-	-	137,933	131,788	111,395
Miscellaneous	-	-	-	1,401	1,867	1,836
Total other	2,006	3,604	7,126	296,336	297,139	247,608
Total receipts per Comptroller	\$ 2,006	\$ 3,604	\$ 7,126	\$396,344	\$ 438,725	\$ 387,000

(Concluded)



State of Illinois

Schedule 6

Illinois Student Assistance Commission

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

Years Ended June 30, 2012, 2011 and 2010

(Amounts expressed in thousands)

	General Revenue Account			Federal Student Loan			Federal Student Incentive Trust		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Total receipts per Comptroller	\$ 724	\$ 629	\$ 502	\$ 210,552	\$ 230,774	\$ 227,443	\$ 5,770	\$ 9,142	\$ 6,053
Reconciling items:									
Deposits in-transit -									
Prior year	-	-	-	(374)	(1,071)	(669)	(91)	-	-
Current Year	-	-	-	1,038	374	1,071	-	91	-
Net reconciling items	-	-	-	664	(697)	402	(91)	91	-
Receipts per Commission	\$ 724	\$ 629	\$ 502	\$ 211,216	\$ 230,077	\$ 227,845	\$ 5,679	\$ 9,233	\$ 6,053

(Continued)

State of Illinois

Schedule 6

Illinois Student Assistance Commission

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

Years Ended June 30, 2012, 2011 and 2010

(Amounts expressed in thousands)

	Federal Congressional Teacher Scholarship			ISAC Accounts Receivable			Optometric Educational Scholarship		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Total receipts per Comptroller	\$ 1,036	\$ 1,938	\$ 1,958	\$ 23	\$ 31	\$ 24	\$ -	\$ -	\$ 1
Reconciling items:									
Deposits in-transit -									
Prior year	-	-	-	-	-	-	-	-	-
Current Year	-	-	-	-	-	-	-	-	-
Net reconciling items	-	-	-	-	-	-	-	-	-
Receipts per Commission	\$ 1,036	\$ 1,938	\$ 1,958	\$ 23	\$ 31	\$ 24	\$ -	\$ -	\$ 1

(Continued)

State of Illinois

Schedule 6

Illinois Student Assistance Commission

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

Years Ended June 30, 2012, 2011 and 2010

(Amounts expressed in thousands)

	Contracts and Grants			Student Loan Operating			Illinois Prepaid Tuition Program		
	2012	2011	2010	2012	2011	2010	2012	2011	2010
Total receipts per Comptroller	\$ -	\$ -	\$ -	\$ 38,300	\$ 60,819	\$ 32,498	\$ 137,933	\$ 131,788	\$ 111,395
Reconciling items:									
Deposits in-transit -									
Prior year	-	-	-	(1)	-	(11)	-	-	-
Current Year	-	-	-	296	1	-	-	-	-
Net reconciling items	-	-	-	295	1	(11)	-	-	-
Receipts per Commission	\$ -	\$ -	\$ -	\$ 38,595	\$ 60,820	\$ 32,487	\$ 137,933	\$ 131,788	\$ 111,395

(Continued)

State of Illinois

Schedule 6

Illinois Student Assistance Commission

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

Years Ended June 30, 2012, 2011 and 2010

(Amounts expressed in thousands)

	Illinois Designated Account Purchase Program			Total All Funds (memorandum Only)		
	2012	2011	2010	2012	2011	2010
Total receipts per Comptroller	\$ 2,006	\$ 3,604	\$ 7,126	\$ 396,344	\$ 438,725	\$ 387,000
Reconciling items:						
Deposits in-transit -						
Prior year	-	-	-	(466)	(1,071)	(680)
Current Year	-	-	-	1,334	466	1,071
Net reconciling items	-	-	-	868	(605)	391
Receipts per Commission	\$ 2,006	\$ 3,604	\$ 7,126	\$ 397,212	\$ 438,120	\$ 387,391

(Concluded)

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Expenditures  
 Years Ended June 30, 2012 and 2011

Schedule 7

Source: Comparative Schedule of Appropriations, Expenditures and Lapsed Balances  
 Scope: \$600,000 and 20% Change

	2012	2011	Increase (Decrease) Amount	% of Change	Explanation
<b>General Revenue Fund - 001:</b>					
Monetary Award Program grant awards	\$ 385,785,331	\$ -	\$ 385,785,331	100%	In 2011, grant awards were paid from the lump sum appropriations. Whereas in 2012, they were paid from amounts appropriated for awards and grants.
Lump sum appropriations	-	415,070,643	(415,070,643)	-100%	In 2011, grant awards were paid from the lump sum appropriations. Whereas in 2012, they were paid from amounts appropriated for awards and grants.
Governor's discretionary appropriation	-	30,000,000	(30,000,000)	-100%	Due to a supplemental appropriation for 2012 passed by the General Assembly on December 19, 2011. There was no such appropriation for 2012.
<b>Education Assistance Fund - 007:</b>					
Veterans' scholarships	5,994,254	-	5,994,254	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.
Minority teacher scholarships	1,913,184	-	1,913,184	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.
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	949,977	-	949,977	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.
National guard and naval militia scholarships	4,380,451	-	4,380,451	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.
IL Scholars scholarships	3,035,000	-	3,035,000	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.

(Continued)

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Expenditures  
 Years Ended June 30, 2012 and 2011

Schedule 7

Source: Comparative Schedule of Appropriations, Expenditures and Lapsed Balances  
 Scope: \$600,000 and 20% Change

	2012	2011	Increase (Decrease) Amount	% of Change	Explanation
IL Future Teachers Corps scholarships	\$ 1,947,945	\$ -	\$ 1,947,945	100%	In 2011, monies were paid from the lump sum appropriation in the General Revenue Fund. Whereas in 2012, they were paid from the Education Assistance Fund.
<b>Federal Congress Teacher Scholarship Fund - 092:</b>					
Payment of Byrd Honors scholarships	1,021,501	1,943,500	(921,999)	-47%	In January 2012, the Continuing Appropriations Act eliminated awards for scholarship support to students. Amount expended in FY12 was carryover from prior year funding.
<b>Student Loan Operations Fund - 664:</b>					
Governor's discretionary appropriation	33,393,354	-	33,393,354	100%	Supplemental appropriation in the Student Loan Operations Fund was passed by the General Assembly on December 19, 2011. Funds were expended during FY12. In FY12, an additional \$33 million of funding was allocated to the Monetary Award Program (MAP) Governor's discretionary appropriation.
<b>Federal Student Incentive Trust Fund - 701</b>					
Monetary Award Program grant awards	272,506	4,000,000	(3,727,494)	-93%	Due to the elimination of program funding and spending authority in FY12.
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program Expenditures	1,999,947	3,596,915	(1,596,968)	-44%	Due to a reduction in the number of IDAPP employees in FY12.

(Concluded)

State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Expenditures  
 Years Ended June 30, 2011 and 2010

Schedule 7

Source: Comparative Schedule of Appropriations, Expenditures and Lapsed Balances  
 Scope: \$600,000 and 20% Change

	2011	2010	Increase (Decrease) Amount	% of Change	Explanation
<b>General Revenue Fund - 001:</b>					
Governor's discretionary appropriation	\$ 30,000,000	\$ -	\$ 30,000,000	100%	Due to a supplemental appropriation expenditure in FY 11, approved by the General Assembly on December 19, 2011. There was no such appropriation for FY 10.
<b>Federal Student Incentive Trust Fund - 701:</b>					
College Access Challenge Grants	5,216,633	2,121,488	3,095,145	146%	In FY11, the College Access Challenge Grant program was awarded additional funding of approximately \$2,206,000. Also, funding for a new program, the John R. Justice Grant program, was awarded for approximately \$364,000.
<b>ISAC Loan Purchase Program Payroll Fund - 773:</b>					
Illinois Designated Account Purchase Program Expenditures	3,596,915	7,123,111	(3,526,196)	-50%	Due to a reduction in the number of IDAPP employees in FY11.

State of Illinois

Schedule 8

Illinois Student Assistance Commission

Analysis of Significant Variations in Receipts

Years Ended June 30, 2012 and 2011

(Amounts expressed in thousands)

Source: Comparative Schedule of Cash Receipts

Scope: \$600,000 and 20% Change

	2012	2011	Increase (Decrease) Amount	% of Change	Explanation
<b>Federal Congressional Teacher Scholarship - 092</b>					
Federal government receipts	\$ 1,035	\$ 1,937	\$ (902)	-47%	Due to the elimination of the Byrd Honors scholarships in 2012. Amounts received in 2012 represent carryover from prior year funding.
<b>Federal Student Loan Fund - 663</b>					
Federal government receipts	93,203	130,507	(37,304)	-29%	Due to a decrease in the number of default claims paid to lenders in FY12. No new loans were issued since 2010, resulting in a decrease in the loan portfolio and a corresponding decrease in receipts for default claims.
Repurchased student loans	74,809	59,063	15,746	27%	Due to an increase in the number of borrowers eligible for the rehabilitation program.
<b>Student Loan Operations Fund - 664</b>					
Federal direct consolidation fee	10,013	8,199	1,814	22%	Due to increased borrower interest in consolidation under the Federal Direct program.
Interfund payments	3,500	30,000	(26,500)	-88%	In FY11, there was a supplemental allocation from the Governor's Discretionary Appropriation for MAP to the Student Loan Operations Fund.
<b>Federal Student Incentive Trust Fund - 701:</b>					
Federal government receipts	5,770	9,142	(3,372)	-37%	In FY11, the College Access Challenge Grant program was awarded additional funding of \$2,206. Also, funding for a new program, the John R. Justice Grant program, was awarded in the amount of \$364. There were no such grants awarded in FY12.
<b>Illinois Designated Account Purchase Program - 1174</b>					
Interfund payments	2,006	3,604	(1,598)	-44%	Due to a reduction in the number of IDAPP employees in FY11.



State of Illinois  
 Illinois Student Assistance Commission  
 Analysis of Significant Variations in Receipts - Continued  
 Years Ended June 30, 2011 and 2010  
 (Amounts expressed in thousands)  
 Source: Comparative Schedule of Cash Receipts  
 Scope: \$600,000 and 20% Change

	2011	2010	Increase (Decrease) Amount	% of Change	Explanation
<b>General Revenue Fund - 001:</b>					
National guard and naval militia scholarships	\$ 4,380,451	\$ 1,573,446	\$2,807,005	178%	The total number of grants awarded in a given fiscal year is contingent upon available funding. If funding is insufficient to pay all eligible applicants, awarding will be based on the date the completed application is received in ISAC's Deerfield office. Preference may be given to renewal applicants provided that the recipient continues to meet the eligibility requirements. The recipient and loan holder shall submit information for eligible educational loans in sufficient time for ISAC to make payments for each year in which the funds are awarded. Based on the above ISAC rules, payment approval and voucher processing completed during FY12 appropriation lapse period is based on the fact that funding is still available in the program appropriation.
<b>Student Loan Operations Fund - 664</b>					
Loan processing and issuance fee	139	1,740	(1,601)	-92%	Due to the elimination of new guarantees in the FFEL program in FY11.
Federal direct consolidation fee	8,199	6,564	1,635	25%	Due to increased borrower interest in consolidation under the Federal Direct program.
Interfund payments	30,000	-	30,000	100%	Due to \$30 million allocated to MAP from the Governor's Discretionary appropriation.
<b>Federal Student Incentive Trust - 701</b>					
Federal government receipts	9,142	6,053	3,089	51%	In FY11, the College Access Challenge Grant program was awarded additional funding of \$2,206. Also, funding for a new program, the John R. Justice Grant program, was awarded in the amount of \$364.
<b>Illinois Designated Account Purchase Program - 1174</b>					
Interfund payments	3,604	7,126	(3,522)	-49%	Due to a reduction in the number of IDAPP employees in FY10.

State of Illinois

Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending

Fourteen Months Ended August 31, 2012

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

Scope: \$600,000 and 20% Change

	Total Expenditures	Lapse Period Expenditures	Percent of Total	Explanation
<b>Education Assistance Fund - 007:</b>				
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	\$ 949,977	\$ 495,957	52%	The total number of grants awarded in a given fiscal year is contingent upon available funding. If funding is insufficient to pay all eligible applicants, awarding will be based on the date the completed application is received in ISAC's Deerfield office. Preference may be given to renewal applicants provided that the recipient continues to meet the eligibility requirements. The recipient and loan holder shall submit information for eligible educational loans in sufficient time for ISAC to make payments for each year in which the funds are awarded. Based on the above ISAC rules, payment approval and voucher processing completed during FY12 appropriation lapse period is based on the fact that funding is still available in the program appropriation.
National guard and naval militia scholarships	4,380,451	1,573,446	36%	
<b>Student Loan Operations Fund - 664</b>				
Governor's discretionary appropriation	33,393,354	7,933,000	24%	MAP claims funded by the Governor's discretionary appropriation from the Student Loan Operations Fund were processed after funds were exhausted in the General Revenue Fund, so more claims were processed during the latter part of the year in the lapse period.

State of Illinois

Schedule 9

Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending

Fourteen Months Ended August 31, 2011

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

Scope: \$600,000 and 20% Change

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 Balance Sheet Accounts  
June 30, 2012, 2011, and 2010  
(Amounts expressed in thousands)  
Source: Financial Statements  
Scope \$50,000**

**Schedule 10**

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	2012	2011	2010
Cash and equivalents	\$ 121,198	\$ 116,777	\$ 114,404
Investments	1,070,508	1,148,046	1,200,917
Contracts receivable	105,126	-	-
Tuition obligation	1,594,657	1,392,329	1,323,030
Revenue bonds and notes payable	590,704	704,284	1,019,701
Line of credit	275,957	314,457	360,174

**Cash and Equivalents:**

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

**Investments:**

This represents the investment balances of the Prepaid Tuition Program and IDAPP. The Illinois Prepaid Tuition Program investment value depends primarily on market conditions. Investments for the Prepaid Tuition Program increased from \$971,480 in 2010 to \$1,124,442 in 2011 and decreased to \$1,063,512 in 2012. 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 \$229,436 in 2010 to \$23,603 in 2011 and \$6,996 in 2012.

**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 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, 2012. 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, 2012, 2011, and 2010  
(Amounts expressed in thousands)**

**Schedule 10**

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**Tuition Obligation (Continued):**

Effective July 1, 2011, Commission management has adopted a change in methodology for estimating contracts receivable, tuition obligation, contract revenues, and accreted tuition expense for the Program. The primary reason for the change in methodology was to address the substantial difference between the estimated unfunded liability in the program as reflected in the financial statements and the market based actuarial unfunded liability at year end as reflected in the Actuarial Soundness Report.

As a result of the change in methodology, the tuition obligation was increased by approximately \$100,000 in fiscal year 2012 compared to the increase that would have been recorded under the previous methodology. In addition, contracts receivable of \$105,126 were recorded in fiscal year 2012, with a corresponding increase to the tuition obligation as of June 30, 2012.

**Revenue Bonds and Notes Payable:**

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

**Line of Credit:**

On July 27, 2007 the Illinois Designated Account Purchase Program (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 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 \$275,957 principal outstanding on the Citibank credit line. The outstanding balance has decreased from approximately \$360,174 in 2010 to \$314,457 in 2011 and to \$276,957 in 2012. 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, 2012, 2011, and 2010  
(Amounts expressed in thousands)**

**Schedule 11**

	2012	2011	2010
Intergovernmental	\$ 30,908	\$ 33,946	\$ 38,715
Student loans	809,409	939,850	1,107,530
Notes	7,231	4,144	21,951
Accrued interest on loans	15,209	17,209	20,595
Contracts	105,126	-	-
Federal special allowance and interest subsidy	(2,174)	(2,541)	(2,820)
<b>Total</b>	<b>\$ 965,709</b>	<b>\$ 992,608</b>	<b>\$ 1,185,971</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:**

IDAPP originated/purchased \$9,622, \$10,067 and \$73,056 of student loans in FY 2012, FY 2011 and FY 2010, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was \$113,317 in 2012, \$127,702 in 2011, and \$177,205 in 2010. 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 \$547,385 of federally insured FFELP loans and \$262,024 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 \$262,024 alternative loans outstanding at June 30, 2012, \$37,798 was over 120 days old. At fiscal year-end 2012, 14% of the alternative loan portfolio was reserved for estimated loan losses. Included in the student loans balance above is approximately \$9,480 of capitalized loan premiums, \$901 of loan acquisition and origination costs and \$1,341 in deferred credits, less \$42,703 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, 2012, 2011, and 2010  
(Amounts expressed in thousands)**

**Schedule 11**

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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. The change from fiscal year 2010 to fiscal year 2011 was due to a change in methodology. In fiscal year 2011, ISAC changed from including all loans which could enter repayment to including loans in repayment status net of the allowance. Notes receivable increased from fiscal year 2011 to fiscal year 2012 due to more former students entering repayment status. 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 2012 compared to the prior year. The variable interest rates on student loans decreased from 1.88% to 1.76% for school FFELP loans, 2.47% to 2.36% for repayment FFELP loans, and from 3.39% to 3.27% 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 2012; however, the decrease in portfolio size by roughly 14% is the main factor in the decrease in the receivable.

**Contracts Receivable:**

Contracts receivable in the Prepaid Tuition Program represents the amount the Program expects to receive from contract holders for contracts purchased on an installment basis. Effective July 1, 2011, Commission management has adopted a change in methodology for estimating contracts receivable, tuition obligation, contract revenues, and accreted tuition expense for the Program. As a result of the change in methodology, contracts receivable of \$105,126 were recorded in fiscal year 2012, with a corresponding increase to the tuition obligation as of June 30, 2012. See also, Tuition Obligation section.

**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 FY10, FY11 and FY12.

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, 2012

Schedule 12

Investment Manager	Investment Management Fees	Percentage of Portfolio
<b><u>Traditional Investment Managers</u></b>		
Income Research Management	\$ 133,525	0.19 %
Pugh Capital	103,388	0.23
State Street Global Advisors	34,410	0.25
C.S. McKee Investment	146,468	0.20
Piedmont Investment	102,692	0.50
Rhumblin Advisors	69,219	0.03
Security Capital Research	339,316	0.36
Ativo	194,615	0.70
Harris/Pyrford	207,572	0.67
Madison Square	161,861	0.57
<b>Total</b>	<b>\$ 1,493,066</b>	
<b><u>Alternative Investment Managers Advisory Fees</u></b>		
Balestra Capital	553,309	1.10
DDJ Distressed Fund	1,576,207	2.44
Reynoso Asset	193,799	1.34
Neuberger Berman	238,961	0.90
Lyrical-Antheus	9,615	0.05
<b>Total</b>	<b>\$ 2,571,891</b>	

In addition, investment manager fees of \$3,472,199 were netted from investment gains.



State of Illinois  
 Illinois Student Assistance Commission  
 Schedule of Investment Management Fees  
 Year Ended June 30, 2011

Schedule 12

Investment Manager	Investment Management Fees	Percentage of Portfolio
<b><u>Traditional Investment Managers</u></b>		
Galliard Capital Management	\$ 69,172	0.58 %
Income Research Management	126,413	0.20
Pugh Capital	96,821	0.23
State Street Global Advisors	46,165	0.05
LSV Asset Management	127,325	0.16
C.S. McKee Investment	140,268	0.20
Piedmont Investment	96,719	0.29
Rhumblin Advisors	77,110	0.04
Security Capital Research	561,373	0.52
Ativo	81,832	0.26
Harris/Pyrford	137,798	0.43
Madison Square	122,816	0.41
<b>Total</b>	<b><u>\$ 1,683,812</u></b>	
<b><u>Alternative Investment Managers Advisory Fees</u></b>		
Morgan Stanley	354,299	3.24
Lyrical-Antheus	343,479	1.88
Kennedy Wilson	1,223,783	2.88
<b>Total</b>	<b><u>\$ 1,921,561</u></b>	

In addition, investment manager fees of \$7,655,915 were netted from investment gains.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2012 and 2011**

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

**Commission Organization**

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

ISAC 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**

This program was created to provide financial assistance to qualifying students who are residents of the State of Illinois and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provides up to \$4,968 in fiscal year 2012 and \$4,844 in fiscal year 2011 for the payment of tuition and mandatory fees. The program is primarily funded by the General Revenue 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 Illinois Student Assistance Commission (ISAC) 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.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2012 and 2011**

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

**Illinois Incentive for Access Program**

The Illinois Incentive for Access (IIA) Program provides grant assistance to freshmen that have limited financial resources with which to pay for college. The purpose of the program is to provide access and retention for this population while reducing their loan debt. A qualified applicant may receive a one-time \$500 grant. The IIA program was not funded in fiscal year 2012.

**Illinois National Guard and Naval Militia Grant**

The Illinois National Guard and Naval Militia 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 Grant is an entitlement program and is awarded to eligible recipients regardless of the funding level. If funds appropriated for the Illinois Student Assistance Commission (ISAC) 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.

**Illinois Future Teacher Corps Scholarships**

The Illinois Future Teacher Corps (IFTC) Program encourages academically talented Illinois students, especially minority students, to pursue teaching careers, especially in teacher shortage disciplines or at hard-to-staff schools. A recipient may receive up to 4 semesters/6 quarters of scholarship assistance under this program. The total number of scholarships awarded in a given fiscal year is contingent upon available funding.

**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. The scholarships are disbursed through the Golden Apple Scholars of Illinois program administered by the Golden Apple Foundation.

Scholars receive financial assistance for four years to attend one of the 53 public and private universities across the state in exchange for successful completion of undergraduate college and a commitment to teach for five years in an Illinois school of need.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2012 and 2011**

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

**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.

**Nurse Educator Scholarship Program and Loan Repayment Program**

The Nurse Educator Scholarship and Loan Repayment Program is designed to attract capable and promising students to the nursing educator profession. Increasing the number of instructors will allow more students to be educated in the field of nursing. This scholarship also provides an opportunity for individuals interested in making a career change to the nurse educator profession.

Scholarships are awarded to eligible applicants enrolled or accepted for enrollment on at least a half-time basis in an approved program of professional or practical nursing education at the graduate level at an Illinois institution of higher learning. In exchange the recipient pledges to work as an educator in an approved program of professional nursing education in Illinois or an approved program of practical nursing education in Illinois, as certified by an authorized individual at the approved Illinois institution, for a period of not less than five years. This program was not funded in fiscal year 2012.

**Ancillary Award Programs**

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

- Bonus Incentive Grant
- Grant Program for Dependents of Correctional Officers
- Grant Program for Dependents of Police or Fire Officers
- Illinois Special Education Teacher Tuition Waiver Program\*
- Student to Student Program of Matching Grants
- Teacher/Child Care Loan Forgiveness Program
- I TEACH Program\*
- Merit Recognition Scholarships\*
- Robert C. Byrd Honors Scholarship Program
- Optometric Education Scholarship Program

\* These programs were not funded in fiscal year 2012.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2012 and 2011**

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

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

This program 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 was 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).

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

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

**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 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.

ISAC 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 ISAC to administer an Illinois Prepaid Tuition Program was passed in November 1997. The Illinois Prepaid Tuition Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. 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!®*.

**State of Illinois  
Illinois Student Assistance Commission**

**Analysis of Operations  
Years Ended June 30, 2012 and 2011**

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

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

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

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

Capital to support IDAPP student loan purchases is funded through the sale of revenue notes and bonds. The 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, the FFELP program was eliminated. IDAPP currently manages the existing portfolio of loans until it is paid in full. There will be no loans disbursed under the program.

**Alternative Loan Program**

In order to make post-secondary educational opportunities more accessible for qualified students, ISAC 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, 2012, 2011 and 2010**

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	2012	2011	2010	Increase / (Decrease)	
				2012	2011
Executive	25	33	39	(8)	(6)
Marketing and Communications	9	13	17	(4)	(4)
College Access and Outreach	12	16	17	(4)	(1)
Program Services and Compliance	46	50	55	(4)	(5)
Business and Financial Services					
Claims and Collections	74	71	66	3	5
Accounting Services	35	36	41	(1)	(5)
Management Information Services	37	36	41	1	(5)
Human Resources	4	3	6	1	(3)
Administrative Services	11	10	13	1	(3)
Total full-time employees*	253	268	295	(15)	(27)
Full-time equivalent part-time employees*	11	10	4	1	6
ISACorps	76	71	54	5	17
IDAPP	11	19	62	(8)	(43)
Total Employees	351	368	415	(17)	(47)

\*Source: Monthly Personnel Listing Report - for years ended June 30, 2012, 2011 and 2010.

State of Illinois  
 Illinois Student Assistance Commission  
 Annual Cost Statistics - By Activity  
 Two Years Ended June 30, 2012 and 2011 (Unaudited)

Program	2012 Recipients/Students Dollars Awarded Average Award	2011 Recipients/Students Dollars Awarded Average Award	2010 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Bonus Incentive Grant	378 \$325,000 \$860	373 \$331,100 \$888	262 \$206,440 \$788	1.34% -1.84% -3.18%	42.37% 60.39% 12.69%	Non-need based grants awarded to holders of Illinois college savings bonds. The proceeds of bonds are used for educational instruction purposes.
Higher Ed License Plate Program (HELP)	298 \$74,600 \$250	280 \$70,000 \$250	274 \$68,425 \$250	6.43% 6.57% 0.13%	2.19% 2.30% 0.00%	A grant program funded by fees charged for specialized collegiate license plates by colleges and universities in Illinois.
Illinois National Guard and Naval Militia Grant Program	1,907 \$2,807,005 \$1,472	1,294 \$2,691,922 \$2,080	1,931 \$4,729,651 \$2,449	47.37% 4.28% -29.23%	-32.99% -43.08% -15.07%	An entitlement program for members of the Illinois National Guard and Naval Militia.
IL Teachers and Child Care Providers Loan Repayment Program	98 \$499,836 \$5,100	107 \$495,221 \$4,628	116 \$494,702 \$4,265	-8.41% 0.93% 10.20%	-7.76% 0.10% 8.52%	A matching grant program to the federal Teacher Loan Forgiveness Program for teachers and child care providers.
John R. Justice Student Loan Repayment Program	81 \$198,386 \$2,449	130 \$363,859 \$2,799	1,322 \$1,955,875 \$1,479	-37.69% -45.48% -12.50%	-90.17% -81.40% 89.25%	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	53 \$298,870 \$5,639	61 \$297,236 \$4,873	62 \$300,000 \$4,839	-13.11% 0.55% 15.72%	-1.61% -0.92% 0.70%	A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois.
Veterans Home Nursing Loan Repayment Program	4 \$10,000 \$2,500	4 \$14,319 \$3,580	9 \$20,141 \$2,238	0.00% -30.16% -30.17%	-55.56% -28.91% 59.96%	A grant program to repay eligible education loans of nurse educators who maintain their career in Illinois Veterans' Homes.
Illinois Veterans' Grant	8,628 \$5,995,272 \$695	9,869 \$0 \$0	11,450 \$16,812,105 \$1,468	-12.57% 100.00% 100.00%	-13.81% -100.00% -100.00%	An entitlement program for Illinois veterans. * In FY2011, the IVG Program was not funded. 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, 2012 and 2011 (Unaudited)

Program	2012 Recipients/Students Dollars Awarded Average Award	2011 Recipients/Students Dollars Awarded Average Award	2010 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Monetary Award Program	158,119 \$386,680,000 \$2,445	147,210 \$403,295,683 \$2,740	141,380 \$390,465,310 \$2,762	7.41% -4.12% -10.75%	4.12% 3.29% -0.80%	Second largest need-based program in the nation.
Police/Fire Officers' Survivor Program and Grant Program for Dependents of Correctional Officers	72 \$454,020 \$6,306	87 \$803,741 \$9,238	86 \$710,191 \$8,258	-17.24% -43.51% -31.74%	1.16% 13.17% 11.87%	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.
Silas Purnell Illinois Incentive for Access Grant Program (IIA)	0 \$0 \$0	0 \$0 \$0	18,874 \$4,718,500 \$250	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	A need based grant program for freshman applicants who have no financial resources for college.
Student to Student Program of Matching Grants	0 \$0 \$0	3,103 \$1,147,260 \$370	3,012 \$948,280 \$315	-100.00% -100.00% -100.00%	3.02% 20.98% 17.46%	An institutional need-based grant program for undergraduate students.
Illinois Future Teacher Corp Scholarship Program	18 \$135,171 \$7,510	26 \$183,420 \$7,055	121 \$872,992 \$7,215	-30.77% -26.31% 6.44%	-78.51% -78.99% -2.22%	This program provides scholarships of up to a maximum \$5,000 per academic year. Must teach in Illinois for one year for each year of scholarship assistance received. Teachers in designated teacher shortage areas can receive up to \$10,000.
Illinois Future Teacher Corp	176 \$1,216,774 \$6,913	163 \$1,138,649 \$6,986	0 \$0 \$0	7.98% 6.86% -1.04%	100.00% 100.00% 100.00%	A scholarship program for recruiting students into teaching careers.
Illinois Scholars (Golden Apple)	204 \$3,636,000 \$17,824	204 \$3,361,100 \$16,476	341 \$3,959,590 \$11,612	0.00% 8.18% 8.18%	-40.18% -15.11% 41.89%	A scholarship program for recruiting students into teaching careers.
Minority Teachers of Illinois Scholarship Program	767 \$1,858,469 \$2,423	241 \$1,160,922 \$4,817	459 \$2,143,821 \$4,671	218.26% 60.09% -49.70%	-47.49% -45.85% 3.13%	This program awards up to \$5,000 to minority students who agree to teach for at least one year, under specified conditions.

State of Illinois  
 Illinois Student Assistance Commission  
 Annual Cost Statistics - By Activity - Continued  
 Two Years Ended June 30, 2012 and 2011 (Unaudited)

Program	2012 Recipients/Students Dollars Awarded Average Award	2011 Recipients/Students Dollars Awarded Average Award	2010 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Optometric Education Scholarship Program	10 \$50,000 \$5,000	10 \$50,000 \$5,000	10 \$50,000 \$5,000	0.00% 0.00% 0.00%	0.00% 0.00% 0.00%	A scholarship program for students pursuing a graduate optometry degree in Illinois.
Robert C. Byrd Honors Scholarship Program	1,058 \$1,023,711 \$968	1,316 \$1,942,500 \$1,476	1,322 \$1,955,875 \$1,479	-19.60% -47.30% -34.45%	-0.45% -0.68% -0.20%	This program provides scholarships of up to \$1,500 for a maximum of four academic years to academically exceptional high school graduates.
Federal Stafford Loans Subsidized	0 \$0 \$0	0 \$0 \$0	33,682 \$145,771,111 \$4,327	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	Low interest loan program. Both subsidized (need based) and non-subsidized loans are made available to students.
Unsubsidized	0 \$0 \$0	0 \$0 \$0	33,259 \$16,638,225 \$500	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	
Federal Plus Loans Undergraduate Program	0 \$0 \$0	0 \$0 \$0	3,098 \$31,798,789 \$10,264	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	
Graduate Program	0 \$0 \$0	0 \$0 \$0	853 \$8,617,976 \$10,103	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	A need-based program designed to assist either parents of dependent undergraduate students, or graduate students. The program for graduate students was implemented in 2007.
UnLoan Consolidation Loan Program	0 \$0 \$0	0 \$0 \$0	(19) (\$625,406) \$0	0.00% 0.00% 0.00%	-100.00% -100.00% 0.00%	Combined various educational loans into one manageable loan, allowing borrowers to make one monthly payment.
College Illinois!® Capstone Loan Program	0 \$0 \$0	0 \$0 \$0	798 \$2,692,405 \$3,374	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	Alternative loan program offering incentives to Illinois borrowers pursuing careers in lower-paying jobs (e.g., teachers, social workers) that are crucial to the welfare of the citizens of Illinois.

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, 2012 and 2011 (Unaudited)

Program	2012 Recipients/Students Dollars Awarded Average Award	2011 Recipients/Students Dollars Awarded Average Award	2010 Recipients/Students Dollars Awarded Average Award	2012 % Change	2011 % Change	Description/Highlights
Illinois Designated Account Purchase Program	0 \$0 \$0	0 \$0 \$0	9,276 \$97,475,980 \$10,508	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	ISAC's secondary market purchases student loans from lenders relieving them of administrative duties, and increasing access to student loans as more lenders are inclined to participate in the Federal Financial Loan Program.
Illinois State Scholar Program	17,548	19,432	19,331	-9.70%	0.52%	An honorary program (no monetary value) to recognize academic achievement in high school.
Illinois Special Education Teacher Tuition Waiver Program	238	238	244	0.00%	-2.46%	This program exempts tuition and fees, at eligible Illinois public universities, for students pursuing a career in special education in Illinois.
Nurse Educator Scholarship Program	0 \$0 \$0	0 \$0 \$0	79 \$1,198,411 \$15,217	0.00% 0.00% 0.00%	-100.00% -100.00% -100.00%	A scholarship program for students pursuing a graduate nursing degree in Illinois.

Information was obtained from the Commission's Data Book.

(Concluded)

**State of Illinois**  
**Illinois Student Assistance Commission**  
**Emergency Purchases (Unaudited)**  
**Two Years Ended June 30, 2012**

	<b>Actual Amount</b>	<b>Date Notarized</b>	<b>Date Filed</b>	<b>Explanation</b>
Marquette Associates, Inc.	\$ 35,000	07/21/11	07/26/11	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues. ISAC extended its contract with Marquette Associates for investment consulting services under Section 1.2030 of the Illinois Procurement Rules to allow time for the State to conduct a competitive procurement process. Because the current contract expired on 06/30/11, this extension had a start date of 07/01/11 and an end date of 09/28/11.
Marquette Associates, Inc.	35,000	09/11/11	09/22/11	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues. ISAC extended its contract with Marquette Associates for investment consulting services under Section 1.2030 of the Illinois Procurement Rules to allow time for the State to conduct a competitive procurement process. Because the current contract expired on 09/28/11, this extension had a start date of 09/29/11 and an end date of 12/28/11.
NCO Financial Systems	36,222	06/30/11	07/07/11	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues. ISAC extended its contract with NCO Financial Systems Inc. for teacher scholarship collections under Section 1.2030 of the Illinois Procurement Rules. ISAC has issued a Request for Proposals (RFP) to secure these services for the period beginning 07/01/11, but delays in the procurement process have prevented us from selecting a vendor and making an award. This extension will give ISAC sufficient time to complete the RFP process. Because the current contract expired on 06/30/11, this extension had a start date of 07/01/11 and an end date of 09/28/11.
Rhumblin Advisors Limited	25,000	03/06/12	03/14/12	To prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, ISAC extended its contract with Rhumblin Advisors for investment management services under Section 1.2030 of the Illinois Procurement Rules to allow time for the State to conduct a competitive procurement process. Given the constants of following the procurement process and the needed investment committee approval, ISAC made a special exception to delegate approval authority to the Investment Committee in order to get a new contract in place as soon as possible. The existing contract expired on 03/06/12, this extension had a start date of 03/07/12 and an end date of 06/04/12.

**State of Illinois  
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)  
Two Years Ended June 30, 2012 and 2011**

**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.

	<u>Fiscal Year 2011 Actual</u>		<u>Fiscal Year 2012 Actual</u>	
<b>Input Indicators</b>				
Total expenditures - all sources (in thousands)	\$ 453,287		\$ 447,114	
Total expenditures - state appropriated funds (in thousands)	\$ 453,287		\$ 447,114	
Average monthly full-time equivalent employees	26		53	
<b>Output Indicators</b>				
Number of students receiving MAP awards	147,210		158,349	
Number of students benefiting from service programs	11,934		10,779	
Number of students participating in teacher and worker shortage programs	1,220		1,215	
Number of applications filed	822,521		841,447	
<b>Outcome Indicators</b>				
Grant aid as a proportion of tuition and fees	23	%	21	%
Grant aid per undergraduate full-time equivalent students (in dollars)	\$ 813		\$ 847	
Percentage of undergraduates at Illinois colleges receiving state need-based aid	24	%	24	%
Average taxable income of families eligible for MAP grants (in dollars)	\$ 23,375		\$ 23,208	
<b>External Benchmarks</b>				
National ranking of maximum award	14		14	
National ranking of need-based aid per undergraduate student (in dollars)	7		7	
National ranking of total grant dollars per population aged 18-24	17		16	
National ranking of student aid as a percentage of Higher Education budget	15		15	
<b>Efficiency/Cost-Effectiveness Indicators</b>				
Proportion of General Revenue Fund administrative spending per \$ awarded	1.20	%	1.70	%

**State of Illinois  
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)  
Two Years Ended June 30, 2012 and 2011**

**Mission Statement:** To facilitate the delivery of low-interest loans to students and their families. To continue administrative responsibilities regarding ISAC Federal Family Education Loan Program portfolio.

- 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.
  4. Explore provision of loan funds to students through institutions and the secondary market.

	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Actual</u>
<b>Input Indicators</b>		
Total expenditures - all sources (in thousands)	\$ 257,569	\$ 227,698
Total expenditures - state appropriated funds (in thousands)	\$ 257,569	\$ 227,698
Average monthly full-time equivalent employees	179	144
<b>Output Indicators</b>		
Number of loans guaranteed	N/A	N/A
Dollar value of new loan guarantees (in millions)	N/A	N/A
Number of defaults averted	79,689	61,106
Dollar value of default collections (in millions)	\$ 100.0	\$ 117.3
<b>Outcome Indicators</b>		
Number of defaults	28,162	22,092
Percent of Illinois student loans guaranteed by ISAC	N/A	N/A
Percent of delinquent accounts resolved	74 %	73 %
Borrower satisfaction ratings	N/A	N/A
<b>Efficiency/Cost-Effectiveness Indicators</b>		
Cost per dollar guaranteed (in dollars)	N/A	N/A
Costs per dollar collected (in dollars)	\$ 0.08	\$ 0.16

**State of Illinois  
Illinois Student Assistance Commission**

**Service Efforts and Accomplishments (Unaudited)  
Two Years Ended June 30, 2012 and 2011**

**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.
    - 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.
- Objectives:**

	<u>Fiscal Year 2011 Actual</u>	<u>Fiscal Year 2012 Actual</u>
<b>Input Indicators</b>		
Total expenditures - all sources (in thousands)	\$ 7,822	\$ 12,891
Total expenditures - state appropriated funds (in thousands)	7,822	12,891
Average monthly full-time equivalent employees	53	53
<b>Output Indicators</b>		
Financial Aid Awareness Month workshop participants	4,998	6,319
Number of training seminars	90	135
Attendance at training seminars	2,615	3,456
Number of community college outreach centers supported	52	52
Counselors/advisors reached	8,808	10,458
<b>Outcome Indicators</b>		
Number of Website visitors	944,078	1,060,269
Requests for presentations	2,113	3,047
<b>Efficiency/Cost-Effectiveness Indicators</b>		
Financial aid sessions per month	176	254
Community agency contacts per month	20	24
Total Internet site page views per month	745,629	855,443