



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS STUDENT ASSISTANCE COMMISSION**

<b>FINANCIAL AUDIT</b>	<b>Summary of Findings:</b>	
<b>For the Year Ended: June 30, 2012</b>	<b>Total this audit</b>	<b>2</b>
	<b>Total last audit</b>	<b>10</b>
<b>Release Date: February 21, 2013</b>	<b>Repeated from last audit</b>	<b>1</b>

**INTRODUCTION**

The Illinois Student Assistance Commission's (Commission) financial audit report consists of three sets of financial statements as follows – the financial statements of the Illinois Student Assistance Commission; the financial statements of the Illinois Prepaid Tuition Program (Program), a major fund of the Commission; and the financial statements of the Illinois Designated Account Purchase Program (IDAPP), a major fund of the Commission.

This report contains only findings pertaining to the Financial Statement Audit of the Commission for the year ended June 30, 2012.

The State Compliance Examination for the two years ended June 30, 2012 will be issued at a later date.

**SYNOPSIS**

- The 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.

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

**ILLINOIS STUDENT ASSISTANCE COMMISSION**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2012 (in thousands)**

<b>STATEMENT OF NET ASSETS</b>	<b>2012</b>	<b>2011</b>
<b>Unrestricted assets</b>		
Unexpended appropriations.....	\$ 5,935	\$ 45,824
Cash and cash equivalents.....	72,526	60,139
Investments.....	1,070,508	1,128,440
Receivables.....	143,684	38,087
Securities lending collateral of State Treasurer.....	25,654	15,343
Capital assets, net.....	13,438	12,788
Due from other State funds and component units.....	99	14
<b>Restricted assets</b>		
Cash and cash equivalents.....	48,672	56,638
Investments.....	-	19,606
Student loan and other receivables, net.....	824,793	957,186
Other.....	6,015	6,881
Total.....	2,211,324	2,340,946
<b>Liabilities</b>		
Accounts payable and accrued liabilities.....	26,503	31,872
Due to other State funds and component units.....	9,132	1,282
Securities lending collateral obligation.....	25,654	15,343
Line of credit.....	275,957	314,457
Revenue bonds payable.....	590,704	704,284
Tuition obligation.....	1,594,657	1,392,329
Other.....	14,692	16,705
Total.....	2,537,299	2,476,272
<b>Net assets</b>		
Invested in capital assets, net of related debt.....	11,593	9,188
Restricted.....	51,872	64,057
Unrestricted.....	(389,440)	(208,571)
Total.....	\$ (325,975)	\$ (135,326)
<b>STATEMENT OF ACTIVITIES</b>	<b>2012</b>	<b>2011</b>
<b>Expenses</b>		
Scholarships, awards and grants.....	\$ 407,201	\$ 422,326
Student loan purchase program.....	41,425	44,347
Prepaid tuition.....	193,524	94,405
Loan guarantee program.....	250,543	238,506
Interest.....	188	273
Total.....	892,881	799,857
<b>Program revenues</b>		
Charges for services.....	74,388	75,243
Operating grants and contributions.....	223,713	377,068
Total.....	298,101	452,311
Net program revenues.....	(594,780)	(347,546)
<b>General revenues</b>		
Appropriations from State resources.....	406,915	455,081
Other.....	(2,784)	(12,098)
Total.....	404,131	442,983
Change in net assets.....	\$ (190,649)	\$ 95,437

**AGENCY EXECUTIVE DIRECTOR**

During Examination Period: Mr. Andrew Davis (through July 8, 2011); Mr. John Sinsheimer (Interim) (July 8, 2011 - February 21, 2012); Eric Zarnikow (beginning February 21, 2012)  
Currently: Mr. Eric Zarnikow

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

**NEED TO APPROVE BUDGET**

**Commission did not approve the  
fiscal year 2012 budget**

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.

According to Commission management, effective July 2011, 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. (Finding 1, pages 122-123)

We recommended 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 agrees with auditors**

Commission officials accepted our finding and recommendation and indicated that they had already implemented corrective action.

**OTHER FINDING**

The other finding pertains to debt covenant violations. Specifically, the commission was not in compliance with two covenants relating to the agency's revolving line of credit.

**AUDITORS' OPINION**

**Emphasis of matter**

**Commission in default**

Our auditors stated the financial statements of the Commission are fairly stated in all material respects. Auditors included paragraphs emphasizing that the Program has adopted a change in the methodology for estimating contracts receivable, tuition obligation and related revenues and expenses; emphasizing that the Commission is in default of certain conditions of its Revolving Credit Facility; and emphasizing that the Program fund has a deficit of \$420 million as of June 30, 2012.



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WILLIAM G. HOLLAND  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors for this audit were McGladrey LLP.