

State of Illinois Illinois Student Assistance Commission

Compliance Examination
For The Two Years Ended June 30, 2005 and 2004

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

State of Illinois
 Illinois Student Assistance Commission

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Financial Statement Report

The Financial Statements of the Illinois Student Assistance Commission as of and for the year ended June 30, 2005 are published in a separate document and are incorporated herein by reference.

State of Illinois
Illinois Student Assistance Commission

Agency Officials

Executive Director	Larry E. Matejka
Deputy Executive Director	Kathleen T. Rooney
Chief Financial Officer	Marcia Thompson
General Counsel	Karen Salas
Acting Internal Auditor	Wendy Funk

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

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

November 4, 2005

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, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, the Commission has materially complied with the assertions below.

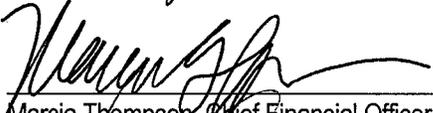
- A. The Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Commission has obligated, expended, received and used public funds of the State in accordance with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

Yours very truly,

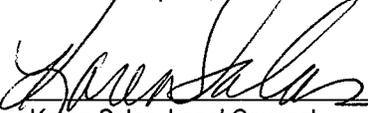
ILLINOIS STUDENT ASSISTANCE COMMISSION



Larry Matejka, Executive Director



Marcia Thompson, Chief Financial Officer



Karen Salas, Legal Counsel

**State of Illinois
Illinois Student Assistance Commission**

Compliance Report Summary

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

Auditors' 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:	This Report	Prior Report
Findings	9	9
Repeated findings	3	1
Prior recommendations implemented or not repeated	6	4

Details of findings are presented in a separately tabbed report section.

Schedule of Findings

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description
05-1	10	Efficiency Initiative Payments

FINDINGS (*GOVERNMENT AUDITING STANDARDS*)

Item No.	Page	Description
05-2	12	Non-Compliance Bond Indentures
05-3	13	Financial Reporting Process

FINDINGS (STATE COMPLIANCE)

Item No.	Page	Description
05-4	15	Failure to Review Computerized Information Systems for Third-Party Vendors
05-5	17	Time Sheets Not Maintained in Compliance With State Officials and Employees Ethics Act
05-6	18	Untimely Deposit of Cash Refunds
05-7	19	Failure to Establish College Savings Program
05-8	20	Uncollateralized Deposits
05-9	21	Internal Controls over Credit Memos and Noncash Journal Entries Need Improvement

State of Illinois
Illinois Student Assistance Commission

Compliance Report Summary

Schedule of Findings (Continued)

PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
05-10	22	Project Management Deficiencies in the Development of the Odyssey System
05-11	22	Inadequate Review of Major Information Systems Implementations
05-12	22	Failure to Monitor the Submission of Lender Claims
05-13	22	Excess Computer Equipment
05-14	22	Untimely Reconciliation of Monthly Cash Receipts
05-15	23	Failure to Develop Child Development Teacher Scholarship Program

Exit Conference

The findings and recommendations appearing in this report were discussed with Commission personnel at an exit conference on April 12, 2006. Attending were representatives from the Illinois Student Assistance Commission, McGladrey & Pullen, LLP and the Office of the Auditor General. Responses to the recommendations were provided by Larry Matejka in a letter dated April 19, 2006.

Illinois Student Assistance Commission

Larry Matejka Executive Director
Theresa Morgan Chief Financial Officer
Thomas Breyer IDAPP Director
Wendy Funk IDAPP Financial Officer
Thomas Hood IDAPP Comptroller
Shoba Nandhan ISAC Comptroller

McGladrey & Pullen, LLP

Joseph Evans Partner
Linda Abernethy Director

Office of the Auditor General

Jon Fox Audit Manager

McGladrey & Pullen

Certified Public Accountants

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

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, 2005. The management of the State of Illinois, Illinois Student Assistance Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Student Assistance Commission's compliance based on our examination.

- A. The State of Illinois, Illinois Student Assistance 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 State of Illinois, Illinois Student Assistance 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 State of Illinois, Illinois Student Assistance Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the State of Illinois, Illinois Student Assistance 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 State of Illinois, Illinois Student Assistance Commission on behalf of the State or held in trust by the State of Illinois, Illinois Student Assistance 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 State of Illinois, Illinois Student Assistance Commission's compliance with those requirements 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 State of Illinois, Illinois Student Assistance Commission's compliance with specified requirements.

In our opinion, the State of Illinois, Illinois Student Assistance Commission complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, 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 State findings as findings 05-1, 05-5, 05-6, 05-7 and 05-8.

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

Internal Control

The management of the State of Illinois, Illinois Student Assistance Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over compliance with the aforementioned requirements in order to determine 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.

We noted certain matters involving internal control over compliance and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Authority's ability to comply with one or more of the aforementioned requirements. Reportable conditions are described in the accompanying Schedule of Findings as findings 05-2 and 05-3.

A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However we believe none of the reportable conditions described above are material weaknesses. Additionally, the results of our procedures disclosed other deficiencies in internal control, 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 State findings and questioned costs as findings 05-4, 05-6, 05-8 and 05-9.

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

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Illinois Student Assistance Commission as of and for the year ended June 30, 2005, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements, and have issued our report thereon dated November 4, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the State of Illinois, Illinois Student Assistance Commission.

The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the State of Illinois, Illinois Student Assistance Commission's basic financial statements for the year ended June 30, 2004 and June 30, 2003. In our report dated October 22, 2004 and December 1, 2003, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2004 and June 30, 2003 taken as a whole.

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

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 4, 2005

McGladrey & Pullen

Certified Public Accountants

Report in 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

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 as of and for the year ended June 30, 2005, which collectively comprise the State of Illinois, Illinois Student Assistance Commission's basic financial statements and have issued our report thereon dated November 4, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the State of Illinois, Illinois Student Assistance Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the State of Illinois, Illinois Student Assistance Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 05-2 and 05-3.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness. However, we noted certain deficiencies in the design or operation of internal control over financial reporting which do not meet the criteria for reporting herein and which are reported as State compliance findings in the schedule of findings. We also noted certain immaterial instances of internal control deficiencies, which we have reported to management of the State of Illinois, Illinois Student Assistance Commission in a separate letter dated November 4, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Illinois Student Assistance Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 05-2 and 05-3. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the State of Illinois, Illinois Student Assistance Commission in a separate letter dated November 4, 2005.

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 federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 4, 2005

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-1. Efficiency Initiative Payments

The Illinois Student Assistance Commission (Commission) made payments for efficiency initiative billings from improper line item appropriations.

Public Act 93-0025, in part, outlines a program for efficiency initiatives to reorganize, restructure and reengineer the business processes of the State. The State Finance Act details that the amount designated as savings from efficiency initiatives implemented by the Department of Central Management Services (CMS) shall be paid into the Efficiency Initiatives Revolving Fund. **“State agencies shall pay these amounts...from the line item appropriations where the cost savings are anticipated to occur.”** (30 ILCS 105/6p-5)

The Commission was not billed for efficiency initiatives in fiscal year 2004 but did receive one efficiency initiative billing in fiscal year 2005. The initiative and amount billed to the Commission was:

<u>Billing Date</u>	<u>Initiative Fiscal Year 2005</u>	<u>Billed Amount</u>
1/19/05	Procurement Efficiency	\$16,335.42

The Commission reported that while the billing invoice was dated January 19, 2005, the Commission did not discover the amount due until July or August 2005. Further, staff reported it had no prior information regarding savings that were going to occur, nor has the Commission performed an analysis of the efficiency savings by CMS.

Based on our review, we question whether the appropriate appropriations, as required by the State Finance Act, were used to pay for anticipated savings. While supporting documentation for the billing contained savings detail by detailed object code, the Commission did not use that guidance when making a payment. Commission staff indicated that since payment was being processed so late – August 2005 – the Commission took the funds where funds were remaining.

The Commission paid the total \$16,335.42 for the procurement efficiency billing from appropriated funds for commodities in fiscal year 2005. A review of other administrative appropriations, such as the printing line, which was designated by CMS as a savings area, showed available funds from which payment could have been made.

Use of appropriations unrelated to the cost savings initiatives resulted in non-compliance with the State Finance Act. Furthermore, use of appropriations for purposes other than those authorized by the General Assembly effectively negates a fundamental control established in State government. Finally, use of funds unrelated to the savings initiative may result in an adverse effect on services the Commission provides. (Finding Code No. 05-1)

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-1. Efficiency Initiative Payments (Continued)

Recommendation

We recommend that the Commission only make payments for efficiency initiative billings from line item appropriations where savings would be anticipated to occur.

Commission Response

Agree. Any future invoices received for efficiency payments will be charged to the appropriate line items.

State of Illinois
Illinois Student Assistance Commission

Current Findings – *Government Auditing Standards*
Two Years Ended June 30, 2005 and 2004

Finding 05-2. Non-Compliance with Bond Indentures

The Illinois Designated Account Purchase Program (IDAPP) did not comply with several bond indentures that require IDAPP to deliver audited financial statements to the Trustees no later than 120 days after year-end (October 28th).

We noted, during our examination of the compliance requirements of the revenue bonds, revenue notes, and letters of credit, the requirement for audited financial statements to be issued within 120 days after year-end (by October 28) to bond Trustees was not met during fiscal years 2004 and 2005.

According to the bond indentures, a final audit report needs to be delivered to the bond Trustees no later than 120 days after year-end. The fiscal year 2004 audited financial report was not delivered until January 2005 and the fiscal year 2005 report had not been delivered as of the end of fieldwork November 4, 2005.

According to Commission management, the delay is due to the growing complexity of the program coupled with the number of parties involved in the financial reporting process.

The failure to comply with the terms of the bonds indentures and letters of credit could result in potential technical default causing the bonds to be called. (Finding Code No. 05-2, 03-8, 01-3)

Recommendation

We recommend IDAPP take a comprehensive look at the entire financial reporting process and make changes needed to comply with the requirements of the bond indentures. Further IDAPP should prepare the year-end financial statement work in a timelier manner in order to allow sufficient time to have the audited financial statements issued prior to the due dates.

Commission Response

Agree. IDAPP will work to improve the timeliness of completion of the annual financial statements to better meet the reporting requirements of those older indentures that have a filing date requirement. Since 1996, newer indentures have been written in a manner to provide more flexibility that better suits the timing of the current process. As the older bonds that had indentures containing unrealistic requirements are retired, the impact of this issue should decrease over time.

State of Illinois
Illinois Student Assistance Commission

Current Findings – *Government Auditing Standards*
Two Years Ended June 30, 2005 and 2004

Finding 05-3. Financial Reporting Process

The Commission's draft financial statements (Illinois Student Assistance Commission, Illinois Designated Account Purchase Program (IDAPP) and Illinois Prepaid Tuition Program) required numerous additional revisions to comply with generally accepted accounting principles.

During our audit of the Commission, we noted the following:

- The Commission did not adequately disclose contingent liabilities related to federal noncompliance as a result of a review conducted by the Department of Education.
- The Commission did not adequately disclose in its financial statements deposit and investment risk disclosures required by Government Accounting Standards Board (GASB) Statement No. 40. The weighted average maturity of investments disclosure was not broken out into dollar amounts by investment type as required. Credit risk disclosures of investment ratings were not included as required. Some interest rate risk disclosures were inconsistent and foreign currency risk disclosures were not detailed by denomination as required. Investments totaled \$837 million at June 30, 2005.
- The Commission did not adequately disclose take-out agreements for demand revenue bonds. The disclosures did not support the classification of certain debt issuances as noncurrent. Demand revenue bonds totaled \$280 million at June 30, 2005.

Generally accepted accounting principles requires disclosure of contingent liabilities, specific requirements for disclosure of deposit and investment risk and requires disclosure of specific details related to take out agreements in place to refinance demand revenue bonds.

Commission officials stated that they were unable to prepare complete and accurate draft financial statements (Illinois Student Assistance Commission, Illinois Designated Account Purchase Program and Illinois Prepaid Tuition Program) because of changes in key management personnel at IDAPP, complexity of the GAAP package review process with the Illinois Office of the Comptroller, and unfamiliarity with the backup documents required to provide sufficient audit evidence for the new GASB Statement No. 40 reporting requirements.

Inaccurate reporting of the Commission's financial statements leads to an untimely completion and issuance of its audited financial statements. (Finding Code No. 05-3, 03-9)

State of Illinois
Illinois Student Assistance Commission

Current Findings – *Government Auditing Standards*
Two Years Ended June 30, 2005 and 2004

Finding 05-3. Financial Reporting Process (Continued)

Recommendation

We recommend the Commission take a comprehensive look at the entire financial reporting process to determine the changes necessary to prepare draft financial statements in accordance with generally accepted accounting principles.

Commission Response

Agree. The Commission made all efforts and was in constant communication with the Illinois Office of the Comptroller and the auditors prior to the end of the fiscal year to ensure that the year-end process was timely and accurate. The Commission is committed to working with the Illinois Office of the Comptroller and the Office of the Auditor General to complete financial statements accurately and in a timely manner and will continue to review our internal procedures to determine if additional modifications can be made to assist in timely and accurate reporting.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-4. Failure to Review Computerized Information Systems Controls for Third-Party Vendors

The Commission did not obtain independent reviews of an externally controlled computerized systems used to service portions of its student loan portfolio. Without a review, the Commission did not have complete assurance that the information system controls necessary to prevent errors or irregularities from occurring were established and operating effectively at all times.

The Commission utilized seven third-party service providers to service a significant portion of its student loan portfolio. Each of the service providers used their own system to record accrued interest, cash collections and adjustments and to ensure that the program is in compliance with the Department of Education regulations for the Federal Family Education Loan Program.

Of the total student loan portfolio of \$3.56 billion in 2005, \$2.36 billion (67%) was serviced by the seven third-party service providers. The Commission did not obtain nor did it review reports (i.e. SAS 70 – Report on the Internal Controls in Place and Tests of Operating Effectiveness) to determine if controls were effective for one of the seven service providers who serviced approximately \$670 million for the Commission during fiscal year 2005.

As required by the Department of Education, each service provider must arrange to have an annual independent compliance audit. However, these audits do not address whether there were proper controls in place with respect to the service provider's computer system. The contracting for computer services may pose risk, control, security, and audit considerations similar to those encountered in an agency's internal computer environment. Independent reviews would provide the Commission assurances regarding the security, integrity, and recovery capability of computer programs. If all student loans were serviced by the Commission, the system would be subject to review by internal auditors, external auditors, and Commission management.

The Commission stated that they have been in contact with the service provider requiring them to provide a SAS 70 report. Based on our review, the SAS 70 has not been received and was also not provided during the prior audit for the period ending June 30, 2003.

It is essential to obtain and review an independent review of each service provider's information systems environment. Independent reviews provide a method of evaluating the systems in place at each service provider and help the Commission develop internal control processes that would complement those at the service providers. Based on the review, the Commission would have better assurance that the internal controls are adequate to ensure the student loan balances and income received from such investments are accurate and reliable. (Finding Code No. 05-4, 03-1)

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

**Finding 05-4. Failure to Review Computerized Information Systems Controls for Third-Party Vendors
(Continued)**

Recommendation

We recommend the Commission obtain and adequately review a copy of an independent review of computer systems maintained by its third-party service providers on an annual basis.

Commission Response

Agree. A follow –up with the servicer's Internal Auditor indicated that they are waiting for the final report to be issued, but there was nothing material noted in the draft.

The Commission will review its approach for obtaining the independent reviews of the computer systems for third-party servicers to ensure more timely submission of the reports.

**State of Illinois
Illinois Student Assistance Commission**

**Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004**

Finding 05-5. Time Sheets Not Maintained in Compliance With the State Officials and Employees Ethics Act

The Commission did not maintain time sheets for its employees in compliance with the State Officials and Employees Ethics Act (Act).

The Act requires the Commission to adopt personnel policies consistent with the Act. The Act (5 ILCS 430/5-5(c)) states, "The policies shall require State employees to periodically submit time sheets documenting the time spent each day on official State business to the nearest quarter hour."

We noted the Commission's 277 salaried employees did not maintain time sheets in compliance with the Act. Employees' time is tracked using a "negative" timekeeping system whereby the employee is assumed to be working unless noted otherwise. No time sheets documenting the time spent each day on official State business to the nearest quarter hour are maintained for these employees.

Commission management stated they believed the current system of reporting benefit usage by full-time salaried employees was sufficient under the Act.

By not maintaining appropriate time sheets, the Commission is not monitoring salaried employees' time spent on official State business as required to comply with the Act. (Finding Code No. 05-5)

Recommendation

We recommend the Commission amend its policies to require all employees to maintain time sheets in compliance with the Act.

Commission Response

Agree. Although the agency does require that ethics time sheets be completed by senior management of the agency, based on initial discussions on this requirement, we believed that use of the CMS payroll system sufficiently addressed the requirement for other exempt staff.

The Commission will work with the agency's legal counsel to review and modify our time reporting process by July 1, 2006, to ensure compliance with the State Officials and Employees Ethics Act.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-6. Untimely Deposit of Cash Refunds

Cash refunds are not being deposited timely in accordance with State statute.

Based on our examination of 60 batches of cash refunds, 6 batches (10%) totaling \$42,093 were not deposited on time. The batches were deposited from 1 to 7 days late. The late deposits all occurred in fiscal year 2004. No late deposits were noted in fiscal year 2005.

The State Officers and Employees Money Disposition Act (30 ILCS 230/2) requires agencies to deposit cash receipts into the State Treasury on the same day for a single item of receipt exceeding \$10,000, within 24 hours for an accumulation of receipts of \$10,000 or more, within 48 hours for receipts exceeding \$500 but less than \$10,000, and amounts of \$500 or less can be held for deposit until the next succeeding 1st or 15th day of each month.

Management stated the delays were due to questions on the application of the refunds.

Delays in depositing funds result in a loss of interest income to the Commission and increase the risk of loss or theft of State receipts. (Finding Code No. 05-6)

Recommendation

We recommend the Commission deposit funds within the time frame required by the statute or as provided in the approved reasonable extension period for its deposits.

Commission Response

Agree. The Commission resolved this issue in FY 2005 and all deposits were made timely in accordance with state requirements. This was due to new procedures implemented by the agency for monitoring timely deposit of funds. The Commission will continue to ensure that there are no delays in depositing funds.

**State of Illinois
Illinois Student Assistance Commission**

**Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004**

Finding 05-7. Failure to Establish College Savings Program

The Commission has not established a program of college savings instruments for Illinois citizens.

During our examination of State mandates applicable to the Commission, we determined the Commission has not implemented a college savings program for Illinois citizens in accordance with the Higher Education Student Assistance Act (Act) (110 ILCS 947/75).

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 management, the Commission has not established a program of college savings instruments for Illinois citizens because the State Treasurer's office already created a college savings program (Bright Start).

By not complying with the Act the Commission has not provided the citizens of the State of Illinois of a college savings program mandated by the General Assembly. (Finding Code No. 05-7)

Recommendation

We recommend the Commission establish a program of college savings or seek legislation to remedy the statutory requirement.

Commission Response

Partially agree. A college savings program was established by the Commission in accordance with this statute, the ICAN program. This program, however, was discontinued in 2002 due to lack of activity. The Commission will seek legislation to repeal the act.

State of Illinois
Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-8. Uncollateralized Deposits

The Commission did not adequately collateralize its deposits.

At June 30, 2004, cash on deposit for the Illinois Prepaid Tuition Program had a carrying amount and bank balance of \$634,665. Of this amount, \$100,000 was insured through the Federal Depository Insurance Corporation (FDIC). The remaining \$534,665 was uninsured and uncollateralized. Collateralization of deposits is not addressed in the Commission's investment policies.

The State Officers and Employees Money Disposition Act, 30 ILCS 230/2c states "Whenever funds deposited with a bank or savings and loan association exceed the amount of federal deposit insurance coverage, a bond, pledged securities, or other eligible collateral shall be obtained. Only the types of securities or other eligible collateral which the State Treasurer may, in his or her discretion, accept for amounts not insured by the Federal Deposit Insurance Corporation or the Federal Savings and Loan Insurance Corporation under Section 11 of "An Act in relation to State moneys", approved June 28, 1919, as amended, may be accepted as pledged securities. The market value of the bond or pledged securities shall at all times be equal to or greater than the uninsured portion of the deposit ..."

Commission officials stated that these deposits remain in a bank account for a very short period of time. They are funds deposited in the lock box in transit to the State Treasurer's money market account. Following state regulations the Commission picked a bank to operate the lockbox after a very extensive RFP process. The bank selected is considered the largest bank in the country and agency officials believed that further collateral was not necessary. However Commission management indicated that they began collateralizing deposits in accordance with State statute in fiscal year 2005.

Inadequate collateralization of uninsured deposits could lead to a loss of State funds in the event of a bank failure. (Finding Code No. 05-8)

Recommendation

We recommend the Commission continue to collateralize its uninsured deposits in accordance with State statute. We further recommend that the Commission include collateralization requirements in compliance with State statute in its investment policies.

Commission Response

Agree. The Commission resolved this issue in FY 2005 and will continue to collateralize its uninsured deposits.

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Illinois Student Assistance Commission

Current Findings – State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-9. Internal Controls over Credit Memos and Non-cash Journal Entries Need Improvement

The Commission did not have adequate internal controls over credit memos and other non-cash journal entries to accounts.

As noted by Commission's internal audit department and during our review of internal controls, the Illinois Designated Account Purchase Program (IDAPP) did not have adequate internal controls over credit memo's issued and other non-cash entries. IDAPP does not require that a responsible official, or other supervisory personnel to review credit memos and other non-cash entries to accounts prior to being posted to the accounts. The amount of credit memos issued and non-cash journal entries made in fiscal years 2004 and 2005 was not readily available.

Good internal controls require that a responsible supervisory official approve all credit memo's and other non-cash journal entries to accounts prior to posting to the general ledger to ensure the credit or other adjustment is warranted and in accordance with the Commission's policy.

IDAPP officials stated that they converted to a new computer system and have not implemented adequate controls over the approval of credit memos and other non-cash entries to accounts.

Lack of supervisory review and approval of credit memos and non-cash journal entries increases the risk of unauthorized write-offs, misappropriation of assets or fraudulent financial reporting. (Finding Code No. 05-9)

Recommendation

We recommend the Commission strengthen internal controls by implementing a policy requiring supervisory review and approval of all credit memos and other non-cash journal entries to its accounts prior to posting to the general ledger.

Commission Response

Agree. In December 2005, IDAPP management enhanced system security and controls to ensure that credit memos and non-cash entries are properly approved and reviewed and that an audit trail is available through system reports.

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Prior Findings Not Repeated - State Compliance
Two Years Ended June 30, 2005 and 2004

This section contains prior State findings (State Compliance), which were not repeated.

Finding 05-10. Project Management Deficiencies in the Development of the Odyssey System

During the two-year audit period ended June 30, 2003, the Commission experienced problems with the development and implementation of its loan-based system, Odyssey. (Finding Code No. 03-2)

Although some problems related to the conversion to the Odyssey system continue to exist, the Commission has integrated lessons learned into its systems development life cycle document to assist in planning future projects.

Finding 05-11. Inadequate Review of Major Information Systems Implementations

During the two-year audit period ended June 30, 2003, the Commission's Internal Audit Department failed to perform an adequate review of the Odyssey system prior to placing the system in operation. (Finding Code No. 03-3)

The Commission had developed procedures within IS requiring internal controls to be addressed by the business units and reviewed by the Internal Audit staff prior to major systems projects moving forward within IS.

Finding 05-12. Failure to Monitor the Submission of Lender Claims

During the two-year audit period ended June 30, 2003, the Commission did not have an effective system in place to monitor the submission of lender claims. As a result, the Commission forfeited over \$1.6 million in reimbursements from the Federal Government. (Finding Code No. 03-4)

The Commission has developed additional procedures to monitor the submission of lender claims. Claims received are now properly logged and entered into the system.

Finding 05-13. Excess Computer Equipment

During the two-year audit period ended June 30, 2003, the Commission had a number of unused or idle equipment items stored in its Deerfield office. (Finding Code No. 03-5)

The Commission has completed a review of the identified assets, established a target inventory level and implemented procedures. Assets now appear to be disposed of and/or transferred in accordance with the identified targets and State procedures.

Finding 05-14. Untimely Reconciliation of Monthly Cash Receipts

During the two-year audit period ended June 30, 2003, with the implementation of the Odyssey system, the Commission did not reconcile the initial months of its monthly cash receipts in a timely manner. Five months of activity were un-reconciled. (Finding Code No. 03-6)

The Commission has established procedures to reconcile cash receipts on a monthly basis and monthly cash receipt reconciliations sampled during the examination were current.

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Illinois Student Assistance Commission

Prior Findings Not Repeated - State Compliance
Two Years Ended June 30, 2005 and 2004

Finding 05-15. Failure to Develop Child Development Teacher Scholarship Program

During the two-year audit period ended June 30, 2003, the Commission had not yet developed a program for administering the Child Development Teacher Scholarship Program mandated by State statute (110 ILCS 922). (Finding Code No. 03-7)

The Child Development Teacher Scholarship Act (110 ILCS 922) was repealed by Public Act 94-133, effective July 7, 2005.

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Supplementary Information for State Compliance Purposes

Summary

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

Fiscal Schedules and Analysis:

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

Analysis of Operations

- Agency Functions and Planning Program
- Average Number of Employees
- Annual Cost Statistics – By Activity (Unaudited)
- Emergency Purchases
- Service Efforts and Accomplishments (Unaudited)
- Schedule of Federal and Nonfederal Expenditures

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

State of Illinois
 Illinois Student Assistance Commission

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2005
 (Amounts expressed in thousands)

Federal Grantor Program Title	Federal CFDA number	Federal Expenditures
U.S. Department of Education:		
Federal Family Education Loan Program	84.032	\$ 220,048
Robert C. Byrd Honors Scholarship	84.185	1,584
Paul Douglas Teacher Scholarship	84.176	<u>(36)</u>
Total Expenditures of Federal Awards		<u><u>\$ 221,596</u></u>

See Notes to Schedule of Expenditures of Federal Awards

State of Illinois
 Illinois Student Assistance Commission

Schedule of Expenditures of Federal Awards
 Year Ended June 30, 2004
 (Amounts expressed in thousands)

Federal Grantor Program Title	Federal CFDA number	Federal Expenditures
U.S. Department of Education:		
Federal Family Education Loan Program	84.032	\$ 163,349
Leveraging Educational Assistance Partnership (LEAP - Formerly SSIG)	84.069	39
Robert C. Byrd Honors Scholarship	84.185	1,582
Paul Douglas Teacher Scholarship	84.176	(62)
Total Expenditures of Federal Awards		\$ 164,908

See Notes to Schedule of Expenditures of Federal Awards.

State of Illinois
Illinois Student Assistance Commission

Notes to Schedule of Expenditures of Federal Awards
Two Years Ended June 30, 2005, and 2004

Note 1. Significant Accounting Principles and Policies

(a) Basis of Presentation

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance of the Illinois Student Assistance Commission (Commission) for the years ended June 30, 2005 and 2004. The Commission had no subrecipient activity to report.

(b) Basis of Accounting

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

Note 2. Description of Grant Programs

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

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

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

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

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

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

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

(d) Paul Douglas Teacher Scholarship - CFDA No. 84.176

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

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2005
 Fourteen Months Ended August 31, 2005

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Public Act. 93-0842					
Appropriated Funds					
General Revenue Fund - 001:					
Administration:					
Personal services	\$ 1,988,000	1,934,720	-	1,934,720	53,280
State contribution to State Employees' Retirement Fund	320,200	311,753	-	311,753	8,447
State contribution to Social Security	152,000	142,767	-	142,767	9,233
Contractual services	1,802,600	1,634,833	167,767	1,802,600	-
Travel	26,400	5,219	223	5,442	20,958
Commodities	32,800	15,810	16,900	32,710	90
Printing	100,000	45,850	36,501	82,351	17,649
Equipment	10,000	8,893	-	8,893	1,107
Telecommunications	113,500	111,038	566	111,604	1,896
Operation of automotive equipment	5,500	3,414	927	4,341	1,159
Total administration	4,551,000	4,214,297	222,884	4,437,181	113,819
Grants and scholarships:					
Grant awards to full-time and part-time students	338,699,800	331,527,827	(689,050)	330,838,777	7,861,023
Matching grants to Illinois institutions to supplement scholarship programs	950,000	616,965	332,611	949,576	424
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	350,000	331,604	18,392	349,996	4
National guard and naval militia scholarships	4,500,000	3,865,203	351,508	4,216,711	283,289
Veteran's scholarships	19,230,000	19,061,630	155,408	19,217,038	12,962

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2005 (Continued)
 Fourteen Months Ended August 31, 2005

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001 (Continued):					
Grants and scholarships (Continued):					
College savings bond grants	\$ 650,000	216,960	2,040	219,000	431,000
Minority teachers scholarships	3,100,000	2,687,972	109,538	2,797,510	302,490
IL Scholars scholarships	3,020,000	3,020,000	-	3,020,000	-
Illinois incentive for access grants	7,200,000	7,026,500	(233,863)	6,792,637	407,363
IL Future Teacher Corps scholarships	4,100,000	3,559,366	211,151	3,770,517	329,483
Merit recognition scholarships	5,400,000	5,329,000	43,000	5,372,000	28,000
Teacher program loan repayment	500,000	230,791	-	230,791	269,209
Total grants and scholarships	387,699,800	377,473,818	300,735	377,774,553	9,925,247
Total General Revenue Fund	\$ 392,250,800	381,688,115	523,619	382,211,734	10,039,066
Federal Congress Teacher Scholarship Fund - 092:					
Federal Congress Teacher scholarship for transferring repayment					
	\$ 400,000	-	-	-	400,000
Payment of Byrd Honors scholarships	1,800,000	1,591,548	(1,563)	1,589,985	210,015
Total Federal Congress Fund	\$ 2,200,000	1,591,548	(1,563)	1,589,985	610,015
Accounts Receivable Fund - 242					
Costs of collecting delinquent student scholarships	\$ 300,000	94,204	2,625	96,829	203,171

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2005 (Continued)
 Fourteen Months Ended August 31, 2005

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Optometric ED Scholarship Fund - 259					
Scholarships for eligible students pursuing a graduate degree in optometry	\$ 50,000	50,000	-	50,000	-
University Grants Fund - 418					
Grants to eligible full-time and part-time students	\$ 70,000	51,650	-	51,650	18,350
Monetary Award Program Reserve Fund - 420:					
Grant awards to eligible full-time and part-time students	\$ 875,000	-	-	-	875,000
Federal Student Loan Fund - 663:					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 190,000,000	130,437,428	11,991,110	142,428,538	47,571,462
Student Loan Operating Fund - 664:					
Administration:					
Personal services	\$ 15,200,200	14,136,505	8,207	14,144,712	1,055,488
Employee retirement contribution paid by State	456,000	443	-	443	455,557
State contribution to State Employees' Retirement Fund	2,448,100	2,277,351	1,603	2,278,954	169,146
State contribution to Social Security	1,163,000	1,032,069	720	1,032,789	130,211
State contribution for employees' group insurance	3,703,100	3,619,175	1,111	3,620,286	82,814
Contractual services	9,864,300	6,517,493	911,482	7,428,975	2,435,325
Travel	190,000	95,873	16,127	112,000	78,000

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2005 (Continued)
 Fourteen Months Ended August 31, 2005

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Student Loan Operating Fund - 664 (Continued):					
Commodities	\$ 240,000	94,429	10,466	104,895	135,105
Printing	577,000	83,747	20,833	104,580	472,420
Equipment	529,000	36,857	185,303	222,160	306,840
Telecommunications	1,743,500	575,014	1,405	576,419	1,167,081
Operation of automotive equipment	32,400	15,946	1,848	17,794	14,606
Loan-based solution project	5,000,000	1,117,435	8,817	1,126,252	3,873,748
Collection agency fees	24,000,000	3,269,959	233,618	3,503,577	20,496,423
Total Student Loan Operating Fund	\$ 65,146,600	32,872,296	1,401,540	34,273,836	30,872,764
Contracts and Grants Fund - 677					
Costs to support outreach and training activities	\$ 70,000	12,725	500	13,225	56,775
National Guard Grant Military Vet Scholarships Fund - 721					
Grant awards to full-time and part-time students	\$ 20,000	-	-	-	20,000
IL Future Teacher Corps Scholarships Fund - 753					
Grant awards to full-time and part-time students	\$ 60,000	-	-	-	60,000
Totals - All Appropriated Funds	\$ 651,042,400	546,797,966	13,917,831	560,715,797	90,326,603

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2005 (Continued)
 Fourteen Months Ended August 31, 2005

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Nonappropriated Funds:					
Illinois Prepaid Tuition Fund - 557					
Lump sum expenditures for operations		\$ 120,804,829	693,412	121,498,241	
ISAC Loan Purchase Program Payroll Fund - 773					
Illinois Designated Account Purchase Program Expenditures		11,295,263	1,320	11,296,583	
Total - All Nonappropriated Funds		<u>132,100,092</u>	<u>694,732</u>	<u>132,794,824</u>	
Total - All Funds		<u>\$ 678,898,058</u>	<u>14,612,563</u>	<u>693,510,621</u>	

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

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2004
 Fourteen Months Ended August 31, 2004

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Public Act. 93-90, amended by Public Act 93-93					
Appropriated Funds					
General Revenue Fund - 001:					
Administration:					
Personal services	\$ 2,602,800	2,596,552	2,230	2,598,782	4,018
Employee retirement contribution paid by State	104,100	103,423	89	103,512	588
State contribution to State Employees' Retirement Fund	261,600	261,505	-	261,505	95
State contribution to Social Security	199,100	191,811	165	191,976	7,124
Contractual services	2,013,000	1,874,108	55,585	1,929,693	83,307
Travel	26,400	9,774	1,953	11,727	14,673
Commodities	32,800	29,347	3,364	32,711	89
Printing	100,000	51,352	28,373	79,725	20,275
Equipment	10,000	9,355	-	9,355	645
Telecommunications	110,500	109,802	239	110,041	459
Operation of automotive equipment	5,500	4,150	579	4,729	771
Fed Costs Allocation	100,000	99,568	-	99,568	432
Initiatives to Increase Awareness	150,000	112,046	-	112,046	37,954
Total administration	5,715,800	5,452,793	92,577	5,545,370	170,430
Grants and scholarships:					
Grant awards to eligible full-time and part-time students	242,331,500	236,297,189	(3,692)	236,293,497	6,038,003
Matching grants to Illinois institutions to supplement scholarship programs	950,000	949,993	-	949,993	7
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	275,000	274,988	(4,558)	270,430	4,570

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2004 (Continued)
 Fourteen Months Ended August 31, 2004

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
General Revenue Fund - 001 (Continued):					
Grants and scholarships (Continued):					
National guard and naval militia scholarships	\$ 4,500,000	4,282,079	215,261	4,497,340	2,660
Veterans' scholarships	19,250,000	19,193,164	18,429	19,211,593	38,407
College savings bond grants to eligible students	650,000	649,880	-	649,880	120
I Teach teacher	2,900,000	2,037,391	120,267	2,157,658	742,342
Minority teacher scholarships	3,100,000	2,959,792	(315)	2,959,477	140,523
IL Scholars scholarships	3,514,300	3,514,300	-	3,514,300	-
Illinois incentive for access grants	7,200,000	6,880,000	(38,000)	6,842,000	358,000
IL Future Teachers Corps scholarships	4,100,000	4,056,724	42,500	4,099,224	776
Merit recognition scholarships to undergraduates	5,400,000	4,408,500	17,500	4,426,000	974,000
Loan Repayment for Teachers	2,700,000	121,448	27,438	148,886	2,551,114
Total grants and scholarships	296,870,800	285,625,448	394,830	286,020,278	10,850,522
Total General Revenue Fund	\$ 302,586,600	291,078,241	487,407	291,565,648	11,020,952
Education Assistance Fund - 007:					
Grants and scholarships:					
Grant awards to eligible full-time and part-time students	\$ 96,368,300	96,300,731	(167,470)	96,133,261	235,039
Federal Congress Teacher Scholarship Fund - 092:					
Federal Congress Teacher scholarship for transferring repayment	\$ 400,000	400,000	-	400,000	-
Payment of Byrd Honors scholarships	1,800,000	1,568,751	15,250	1,584,001	215,999
Total Federal Congress Teacher Scholarship Fund	\$ 2,200,000	1,968,751	15,250	1,984,001	215,999

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2004 (Continued)
 Fourteen Months Ended August 31, 2004

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Accounts Receivable Fund - 242:					
Costs of collecting delinquent student scholarships	\$ 300,000	60,576	1,280	61,856	238,144
Optometric ED Scholarship Fund - 259					
Scholarships for eligible students pursuing a graduate degree in optometry	\$ 50,000	50,000	-	50,000	-
University Grant Fund - 418:					
Grants to higher education institutions	\$ 70,000	\$ 53,100	\$ -	\$ 53,100	\$ 16,900
Higher EdNet Fund - 423:					
Costs associated with Higher EdNet program	\$ 10,000	2,068	-	2,068	7,932
Federal Student Loan Fund - 663:					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 220,000,000	106,874,668	8,828,337	115,703,005	104,296,995
Student Loan Operating Fund - 664:					
Administration:					
Personal services	\$ 13,887,700	11,796,221	3,875	11,800,096	2,087,604
Employee retirement contribution paid by State	555,600	462,645	166	462,811	92,789
State contribution to State Employees' Retirement Fund	1,760,300	1,584,949	557	1,585,506	174,794
State contribution to Social Security	1,062,500	859,491	307	859,798	202,702

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2004 (Continued)
 Fourteen Months Ended August 31, 2004

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Student Loan Operating Fund - 664 (Continued):					
State contribution for employees' group insurance	\$ 2,972,100	2,596,877	200	2,597,077	375,023
Contractual services	11,092,000	7,573,897	717,307	8,291,204	2,800,796
Travel	191,000	89,721	7,511	97,232	93,768
Commodities	234,700	112,705	9,676	122,381	112,319
Printing	558,000	65,248	69,168	134,416	423,584
Equipment	540,000	58,323	153,613	211,936	328,064
Telecommunications	1,733,500	733,200	107,111	840,311	893,189
Operation of automotive equipment	32,400	17,539	881	18,420	13,980
Loan-based solution project	5,000,000	344,715	20,162	364,877	4,635,123
Repayment of loan to Federal Student Loan Fund	13,000,000	11,000,000	-	11,000,000	2,000,000
Outreach & Awareness	162,500	-	-	-	162,500
E-Learning Initiative	250,000	-	-	-	250,000
Collection agency fees	24,000,000	3,122,372	292,311	3,414,683	20,585,317
Total Student Loan Operating Fund	\$ 77,032,300	40,417,903	1,382,845	41,800,748	35,231,552
Federal Reserve Recall Fund - 665:					
Default aversion activities and payment of recalled federal funds	\$ 5,300,000	4,213,303	-	4,213,303	1,086,697

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Appropriations, Expenditures, and Lapsed Balances
 Appropriations for Fiscal Year 2004 (Continued)
 Fourteen Months Ended August 31, 2004

	Appropriations (Net After Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Expenditures Fourteen Months Ended August 31	Balances Lapsed August 31
Contracts and Grants Fund - 677:					
Costs to support outreach and training activities	\$ 50,000	29,938	500	30,438	19,562
Federal Student Incentive Trust Fund - 701:					
Grant awards to full-time and part-time students	\$ 3,700,000	38,152	-	38,152	3,661,848
IL Future Teacher Corps Scholarship Fund - 753					
Grant awards to full-time and part-time students	\$ 50,000	-	-	-	50,000
Totals - All Appropriated Funds	\$ 707,717,200	541,087,431	10,548,149	551,635,580	156,081,620
Nonappropriated Funds:					
Illinois Prepaid Tuition Fund - 557					
Lump sum expenditures for operations		\$ 120,258,117	360,692	120,618,809	
ISAC Loan Purchase Program Payroll Fund - 773					
Illinois Designated Account Purchase Program Expenditures		10,227,767	412,871	10,640,638	
Total - All Nonappropriated Funds		130,485,884	773,563	131,259,447	
Total - All Funds		\$ 671,573,315	11,321,712	682,895,027	

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

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P. A. 93-0842	2004 P. A. 93-90 & 93	2003 P. A. 92-0538
General Revenue Fund - 001:			
Appropriations (net after transfers)	\$ 392,250,800	\$ 302,586,600	\$ 280,413,700
Expenditures:			
Personal services	1,934,720	2,598,782	2,734,305
Employee retirement contribution paid by State	-	103,512	106,082
State contribution to State Employees' Retirement Fund	311,753	261,505	282,263
State contribution to Social Security	142,767	191,976	202,729
Contractual services	1,802,600	1,929,693	1,874,707
Travel	5,442	11,727	12,921
Commodities	32,710	32,711	29,674
Printing	82,351	79,725	61,360
Equipment	8,893	9,355	19,836
Telecommunications	111,604	110,041	129,996
Operation of automotive equipment	4,341	4,729	6,283
Federal costs allocation	-	99,568	74,936
Initiatives to increase awareness	-	112,046	131,814
Grant awards to full-time and part-time students	330,838,777	236,293,497	226,914,674
Matching grants to Illinois institutions to supplement scholarship programs	949,576	949,993	949,999
Scholarships to children of policemen, firemen and correctional officers killed or permanently disabled in the line of duty	349,996	270,430	251,965
National guard and naval militia scholarships	4,216,711	4,497,340	4,475,163
Veterans' scholarships	19,217,038	19,211,593	19,172,727
College savings bond grants	219,000	649,880	645,540
I Teach teacher	-	2,157,658	-
Minority teachers scholarships	2,797,510	2,959,477	2,275,467
De Bolt teacher shortage scholarship	-	-	2,588,302
IL Scholars scholarships	3,020,000	3,514,300	-
Illinois incentive for access grants	6,792,637	6,842,000	7,097,750
Merit recognition scholarships	5,372,000	4,426,000	5,370,250
Teacher program loan repayment	230,791	148,886	169,076
IL Future Teacher Corps scholarships	3,770,517	4,099,224	-
Total expenditures	382,211,734	291,565,648	275,577,819
Lapsed balances	\$ 10,039,066	\$ 11,020,952	\$ 4,835,881

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Continued)
 Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P. A. 93-0842	2004 P. A. 93-90 & 93	2003 P. A. 92-0538
Education Assistance Fund - 007:			
Appropriations (net after transfers)	\$ -	\$ 96,368,300	\$ 102,368,300
Expenditures:			
Grant awards to full-time and part-time students	-	96,133,261	102,344,423
Lapsed balances	\$ -	\$ 235,039	\$ 23,877
Federal Congress Teacher Scholarship Fund - 092:			
Appropriations (net after transfers)	\$ 2,200,000	\$ 2,200,000	\$ 1,800,000
Expenditures:			
Federal Congress Teacher Scholarship for transferring payment	-	400,000	-
Payment of Byrd Honors scholarships	1,589,985	1,584,001	1,608,063
Total expenditures	1,589,985	1,984,001	1,608,063
Lapsed balances	\$ 610,015	\$ 215,999	\$ 191,937
Accounts Receivable Fund - 242:			
Appropriations (net after transfers)	\$ 300,000	\$ 300,000	\$ 300,000
Expenditures:			
Costs of collecting delinquent student scholarships	96,829	61,856	84,210
Lapsed balances	\$ 203,171	\$ 238,144	\$ 215,790
Optometric ED Scholarship -259:			
Appropriations (net after transfers)	\$ 50,000	\$ 50,000	\$ -
Expenditures	50,000	50,000	-
Lapsed balances	\$ -	\$ -	\$ -

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Continued)
 Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P. A. 93-0842	2004 P. A. 93-90 & 93	2003 P. A. 92-0538
University Grant Fund - 418:			
Appropriations (net after transfers)	\$ 70,000	\$ 70,000	\$ 70,000
Expenditures:			
Grants to higher education institutions	51,650	53,100	52,325
Lapsed balances	\$ 18,350	\$ 16,900	\$ 17,675
Monetary Award Program Reserve Fund - 420:			
Appropriations (net after transfers)	\$ 875,000	\$ -	\$ 6,677,000
Expenditures:			
Grant awards to eligible full-time and part-time students	-	-	2,370,160
Lapsed balances	\$ 875,000	\$ -	\$ 4,306,840
Higher EdNet Fund - 423:			
Appropriations (net after transfers)	\$ -	\$ 10,000	\$ 65,000
Expenditures:			
Costs associated with Higher EdNet program	-	2,068	55,227
Lapsed balances	\$ -	\$ 7,932	\$ 9,773
Federal Student Load Fund - 663:			
Appropriations (net after transfers)	\$ 190,000,000	\$ 220,000,000	\$ 190,000,000
Expenditures:			
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	142,428,538	115,703,005	132,640,400
Lapsed balances	\$ 47,571,462	\$ 104,296,995	\$ 57,359,600

(Continued)

State of Illinois
 Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Continued)
 Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P. A. 93-0842	2004 P. A. 93-90 & 93	2003 P. A. 92-0538
Student Loan Operating Fund - 664:			
Appropriations (net after transfers)	\$ 65,146,600	\$ 77,032,300	\$ 75,656,600
Expenditures:			
Personal services	\$ 14,144,712	\$ 11,800,096	\$ 11,776,376
Employee retirement contribution paid by State	443	462,811	449,241
State contribution to State Employees' Retirement Fund	2,278,954	1,585,506	1,216,239
State contribution to Social Security	1,032,789	859,798	857,789
State contribution for employees' group insurance	3,620,286	2,597,077	2,295,406
Contractual services	7,428,975	8,291,204	7,203,673
Travel	112,000	97,232	122,389
Commodities	104,895	122,381	109,842
Printing	104,580	134,416	162,863
Equipment	222,160	211,936	154,133
Telecommunications	576,419	840,311	930,369
Operation of automotive equipment	17,794	18,420	26,948
Loan-based solution project	1,126,252	364,877	4,600,692
Repayment of loan to Federal Student Loan Fund	-	11,000,000	2,000,000
Collection agency fees	3,503,577	3,414,683	2,678,771
Total expenditures	34,273,836	41,800,748	34,584,731
Lapsed balances	\$ 30,872,764	\$ 35,231,552	\$ 41,071,869
Federal Reserve Recall Fund - 665:			
Appropriations (net after transfers)	\$ -	\$ 5,300,000	\$ 21,500,000
Expenditures:			
Default aversion activities and payment of recalled federal funds	-	4,213,303	20,336,603
Lapsed balances	\$ -	\$ 1,086,697	\$ 1,163,397
Contracts and Grants Fund - 677:			
Appropriations (net after transfers)	\$ 70,000	\$ 50,000	\$ -
Expenditures:			
Costs to support outreach and training activities	13,225	30,438	-
Lapsed balances	\$ 56,775	\$ 19,562	\$ -

(Continued)

State of Illinois

Illinois Student Assistance Commission
 Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances (Continued)
 Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P. A. 93-0842	2004 P. A. 93-90 & 93	2003 P. A. 92-0538
Federal Student Incentive Trust Fund - 701:			
Appropriations (net after transfers)	\$ -	\$ 3,700,000	\$ 3,700,000
Expenditures:			
Grant awards to full-time and part-time students	-	38,152	3,662,070
Lapsed balances	\$ -	\$ 3,661,848	\$ 37,930
National Guard Grant and Military Vet Scholarship Fund - 721:			
Appropriations (net after transfers)	\$ 20,000	\$ -	\$ -
Expenditures:			
Grant awards to full-time and part-time students	-	-	-
Lapsed balances	\$ 20,000	\$ -	\$ -
IL Future Teacher Corps Scholarships Fund - 753:			
Appropriations (net after transfers)	\$ 60,000	\$ 50,000	\$ -
Expenditures:			
Grant awards to full-time and part-time students	-	-	-
Lapsed balances	\$ 60,000	\$ 50,000	\$ -
Total all funds:			
Appropriations (net after transfers)	\$ 651,042,400	\$ 707,717,200	\$ 682,550,600
Expenditures	\$ 560,715,797	\$ 551,635,580	\$ 573,316,031
Lapsed balances	\$ 90,326,603	\$ 156,081,620	\$ 109,234,569

(Concluded)

State of Illinois
 Illinois Student Assistance Commission
 Schedule of Efficiency Payments
 Two Years Ended June 30, 2005 and 2004
 (Amounts expressed in thousands)

	Fiscal Year	
	2005	2004
<u>Procurement Efficiency Initiative</u>		
General Revenue Fund-001		
Commodities	\$ 16,335	\$ -

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Agency and reconciled to information from the Office of the Comptroller.

State of Illinois
 Illinois Student Assistance Commission

Schedule of Changes in State Property
 Two Years Ended June 30, 2005 and 2004

	Balance July 1, 2003	Additions	Deletions	Balance July 1, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 2,700	\$ -	\$ -	\$ 2,700
Capital assets being depreciated:				
Buildings	18,311	-	-	18,311
Equipment	974	483	(115)	1,342
Total capital assets being depreciated	19,285	483	(115)	19,653
Less accumulated depreciation:				
Buildings	(5,265)	(458)	-	(5,723)
Equipment	(921)	(502)	115	(1,308)
Total accumulated depreciation	(6,186)	(960)	115	(7,031)
Total capital assets being depreciated, net	13,099	(477)	-	12,622
Governmental activity capital assets, net	\$ 15,799	\$ (477)	\$ -	\$ 15,322
Business-type activities:				
<i>Designated Account Purchase Program:</i>				
Capital assets being depreciated:				
Equipment	\$ 478	\$ 74	\$ (34)	\$ 518
Less accumulated depreciation:				
Equipment	(347)	(46)	34	(359)
Total capital assets being depreciated, net	131	28	-	159
<i>Other business-type activities:</i>				
Capital assets being depreciated:				
Equipment and automobiles	646	10	-	656
Less accumulated depreciation:				
Equipment and automobiles	(247)	(117)	-	(364)
Total capital assets being depreciated, net	399	(107)	-	292
Business-type activities capital assets, net	\$ 530	\$ (79)	\$ -	\$ 451

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

Additions	Deletions	Balance July 1, 2005
\$ -	\$ -	\$ 2,700
-	-	18,311
-	(90)	1,252
-	(90)	19,563
(458)	-	(6,181)
(15)	90	(1,233)
(473)	90	(7,414)
(473)	-	12,149
\$ (473)	\$ -	\$ 14,849

\$ -	\$ (18)	\$ 500
(52)	18	(393)
(52)	-	107
130	(78)	708
(128)	66	(426)
2	(12)	282
\$ (50)	\$ (12)	\$ 389

State of Illinois
 Illinois Student Assistance Commission

Comparative Schedule of Cash Receipts
 Years Ended June 30, 2005, 2004, and 2003
 (Amounts expressed in thousands)

	General Revenue Account			Federal Student Loan			Federal Reserve Recall Fund		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Federal government receipts	\$ -	\$ -	\$ -	\$ 60,773	\$ 54,336	\$ 73,107	\$ -	\$ -	\$ -
Other:									
Collections on defaulted student loans	-	-	-	34,857	37,826	40,335	-	-	-
Repurchased student loans	-	-	-	33,531	20,594	15,118	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	-	-	-
Repayments and reimbursements of loans	-	-	-	-	-	-	-	-	-
Portfolio maintenance fee	-	-	-	-	-	-	-	-	-
Federal direct consolidation fee	-	-	-	-	-	-	-	-	-
Default aversion fee	-	-	-	-	-	-	-	-	-
Interfund payments	-	-	250	-	11,000	2,000	-	-	171
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-	-
Miscellaneous	272	174	128	-	-	-	-	-	-
Total other	272	174	378	68,388	69,420	57,453	-	-	171
Total receipts per Comptroller	\$ 272	\$ 174	\$ 378	\$ 129,161	\$ 123,756	\$ 130,560	\$ -	\$ -	\$ 171

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Comparative Schedule of Cash Receipts (Continued)
 Years Ended June 30, 2005, 2004, and 2003
 (Amounts expressed in thousands)

	Federal Student Incentive Trust			Federal Congressional Teacher Scholarship			ISAC Accounts Receivable		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Federal government receipts	\$ -	\$ 38	\$ 3,662	\$ 1,624	\$ 1,572	\$ 1,607	\$ -	\$ -	\$ -
Other:									
Collections on defaulted student loans	-	-	-	-	-	-	-	-	-
Repurchased student loans	-	-	-	-	-	-	-	-	-
Loan processing and issuance fee	-	-	-	-	-	-	-	-	-
Repayments and reimbursements of loans	-	-	-	36	62	71	462	131	273
Portfolio maintenance fee	-	-	-	-	-	-	-	-	-
Federal direct consolidation fee	-	-	-	-	-	-	-	-	-
Default aversion fee	-	-	-	-	-	-	-	-	-
Interfund payments	-	-	-	-	-	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-	-
Total other	-	-	-	36	62	71	462	131	273
Total receipts per Comptroller	\$ -	\$ 38	\$ 3,662	\$ 1,660	\$ 1,634	\$ 1,678	\$ 462	\$ 131	\$ 273

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Comparative Schedule of Cash Receipts (Continued)
 Years Ended June 30, 2005, 2004, and 2003
 (Amounts expressed in thousands)

	Contracts and Grants			Student Loan Operating			Illinois Prepaid Tuition Program		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Federal government receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other:									
Collections on defaulted student loans	-	-	-	-	-	-	-	-	-
Repurchased student loans	-	-	-	-	-	-	-	-	-
Loan processing and issuance fee	-	-	-	4,604	6,335	4,848	-	-	-
Repayments and reimbursements of loans	-	-	-	-	-	-	-	-	-
Portfolio maintenance fee	-	-	-	5,353	5,153	5,082	-	-	-
Federal direct consolidation fee	-	-	-	6,695	12,859	9,747	-	-	-
Default aversion fee	-	-	-	18,210	13,200	11,043	-	-	-
Interfund payments	-	-	-	-	-	-	-	-	-
Proceeds from sale of tuition contracts	-	-	-	-	-	-	120,116	118,267	117,867
Miscellaneous	17	55	-	36	20	91	-	-	-
Total other	17	55	-	34,898	37,567	30,811	120,116	118,267	117,867
Total receipts per Comptroller	\$ 17	\$ 55	\$ -	\$ 34,898	\$ 37,567	\$ 30,811	\$ 120,116	\$ 118,267	\$ 117,867

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Comparative Schedule of Cash Receipts (Continued)
 Years Ended June 30, 2005, 2004, and 2003
 (Amounts expressed in thousands)

	Illinois Designated Account Purchase Program			Total All Funds (memorandum only)		
	2005	2004	2003	2005	2004	2003
Federal government receipts	\$ -	\$ -	\$ -	\$ 62,397	\$ 55,946	\$ 78,376
Other:						
Collections on defaulted student loans	-	-	-	34,857	37,826	40,335
Repurchased student loans	-	-	-	33,531	20,594	15,118
Loan processing and issuance fee	-	-	-	4,604	6,335	4,848
Repayments and reimbursements of loans	-	-	-	498	193	344
Portfolio maintenance fee	-	-	-	5,353	5,153	5,082
Federal direct consolidation fee	-	-	-	6,695	12,859	9,747
Default aversion fee	-	-	-	18,210	13,200	11,043
Interfund payments	11,150	11,175	11,000	11,150	22,175	13,421
Proceeds from sale of tuition contracts	-	-	-	120,116	118,267	117,867
Miscellaneous	-	-	-	325	249	219
Total other	11,150	11,175	11,000	235,339	236,851	218,024
Total receipts per Comptroller	\$ 11,150	\$ 11,175	\$ 11,000	\$ 297,736	\$ 292,797	\$ 296,400

(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
 Years Ended June 30, 2005, 2004 and 2003
 (Amounts expressed in thousands)

	General Revenue Account			Federal Student Loan			Federal Reserve Recall Fund		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Total receipts per Comptroller	\$ 272	\$ 174	\$ 378	\$ 129,161	\$ 123,756	\$ 130,560	\$ -	\$ -	\$ 171
Reconciling items:									
Deposits in-transit -									
Prior year	-	(2)	-	(564)	(834)	(1,158)	-	-	-
Current Year	1	-	2	524	564	834	-	-	-
Budgetary refunds/rounding	(1)	1	-	-	-	-	-	-	1
Net reconciling items	-	(1)	2	(40)	(270)	(324)	-	-	1
Receipts per Commission	\$ 272	\$ 173	\$ 380	\$ 129,121	\$ 123,486	\$ 130,236	\$ -	\$ -	\$ 172

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (Continued)
 Years Ended June 30, 2005, 2004 and 2003
 (Amounts expressed in thousands)

	Federal Student Incentive Trust			Federal Congressional Teacher Scholarship			ISAC Accounts Receivable		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Total receipts per Comptroller	\$ -	\$ 38	\$ 3,662	\$ 1,660	\$ 1,634	\$ 1,678	\$ 462	\$ 131	\$ 273
Reconciling items:									
Deposits in-transit -									
Prior year	-	-	-	(14)	-	(2)	-	(1)	-
Current Year	-	-	-	1	14	-	1	-	1
Budgetary refunds/rounding	-	-	-	-	-	-	-	-	-
Net reconciling items	-	-	-	(13)	14	(2)	1	(1)	1
Receipts per Commission	\$ -	\$ 38	\$ 3,662	\$ 1,647	\$ 1,648	\$ 1,676	\$ 463	\$ 130	\$ 274

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (Continued)
 Years Ended June 30, 2005, 2004 and 2003
 (Amounts expressed in thousands)

	Contracts and Grants			Student Loan Operating			Illinois Prepaid Tuition Program		
	2005	2004	2003	2005	2004	2003	2005	2004	2003
Total receipts per Comptroller	\$ 17	\$ 55	\$ -	\$ 34,898	\$ 37,567	\$ 30,811	\$ 120,116	\$ 118,267	\$ 117,867
Reconciling items:									
Deposits in-transit -									
Prior year	-	-	-	(5)	(3)	(1)	-	-	-
Current Year	-	-	-	2	5	3	-	-	-
Budgetary refunds/rounding	-	-	-	-	-	-	-	-	-
Net reconciling items	-	-	-	(3)	2	2	-	-	-
Receipts per Commission	\$ 17	\$ 55	\$ -	\$ 34,895	\$ 37,569	\$ 30,813	\$ 120,116	\$ 118,267	\$ 117,867

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller (Continued)
 Years Ended June 30, 2005, 2004 and 2003
 (Amounts expressed in thousands)

	Illinois Designated Account Purchase Program			Total All Funds (Memorandum Only)		
	2005	2004	2003	2005	2004	2003
Total receipts per Comptroller	\$ 11,150	\$ 11,175	\$ 11,000	\$ 297,736	\$ 292,797	\$ 296,400
Reconciling items:						
Deposits in-transit -						
Prior year	-	-	-	(583)	(840)	(1,161)
Current Year	-	-	-	529	583	840
Budgetary refunds/rounding	-	-	-	(1)	1	1
Net reconciling items	-	-	-	(55)	(256)	(320)
Receipts per Commission	\$ 11,150	\$ 11,175	\$ 11,000	\$ 297,681	\$ 292,541	\$ 296,080

(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures
 Two Years Ended June 30, 2005 and 2004

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2005	2004	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
General Revenue Fund - 001					
Personnel services	\$ 1,934,720	\$ 2,598,782	\$ (664,062)	-26%	Due to change in cost allocation, resulting in a decrease in GRF portion of salaries.
Employee retirement contribution paid by the State	-	103,512	(103,512)	-100%	Decrease is due to elimination of state-paid employee retirement contribution beginning in FY 2005.
State contribution to Social Security	142,767	191,976	(49,209)	-26%	Due to change in cost allocation, resulting in a decrease in GRF portion of salaries and related costs.
Travel	5,442	11,727	(6,285)	-54%	Decrease is due to GRF budget constraints resulting in a reduction of out of state travel.
Federal costs allocations	-	99,568	(99,568)	-100%	The appropriation authority was discontinued in FY 2005.
Initiatives to increase awareness	-	112,046	(112,046)	-100%	The appropriation authority was discontinued in FY 2005.
Grant awards to full-time and part-time students	330,838,778	236,293,497	94,545,281	40%	EAF funding for MAP moved to GRF in FY 2005.
Scholarship to children of policemen or firemen and correctional officers killed or permanently disabled in the line of duty	349,996	270,430	79,566	29%	Due to increase in total grant award amount and number of applicants.
College savings bond grants	219,000	649,880	(430,880)	-66%	Decrease in total grant award amount in FY2005.
I Teach teacher	-	2,157,658	(2,157,658)	100%	The State of Illinois discontinued the program in FY 2005.
Merit recognition scholarship	5,372,000	4,426,000	946,000	21%	Increase in total grant award amount in FY 2005.
Teacher program loan repayment	230,791	148,886	81,905	55%	Due to an increase in total grant award amount from an increase in the number of eligible students.
Educational Assistance Fund - 007					
Grant awards to full-time and part-time students	-	96,133,261	(96,133,261)	-100%	EAF funding for MAP moved to GRF in FY 2005.

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures - Continued
 Two Years Ended June 30, 2005 and 2004

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2005	2004	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Federal Congress Teacher Scholarship Fund - 92					
Federal Congress Teacher Scholarship for transferring repayment	\$ -	\$ 400,000	\$ (400,000)	-100%	There was no transfer of funds made to the Federal Department of Education in FY2005.
Accounts Receivable Fund - 242					
Cost of collecting delinquent student scholarships	96,829	61,856	34,973	57%	Collections were higher in FY 2005, therefore resulting in higher expenditures.
Higher EdNet Fund - 423					
Costs associated with Higher EdNet program	-	2,068	(2,068)	-100%	The fund was closed in FY 2005.
Federal Student Loan Fund - 663					
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements.	142,428,538	115,703,004	26,725,534	23%	Increase in payment of lender reimbursements in FY 2005 and refunds to students.
Student Loan Operating Fund - 664					
Personal services	14,144,712	11,800,096	2,344,616	20%	Due to change in cost allocation, resulting in an increase in SLOF portion of salaries.
Employee retirement contribution paid by the state	443	462,811	(462,368)	-100%	Elimination of state-paid employee retirement contribution beginning in FY 2005.
State contribution to Social Security	1,032,789	859,798	172,991	20%	Change in cost allocation, resulting in an increase in SLOF portion of salaries.
State contribution to State Employees' Retirement Fund	2,278,954	1,585,506	693,448	44%	Increase in rate of contribution to SERS for all agencies.

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures - Continued
 Two Years Ended June 30, 2005 and 2004

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2005	2004	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Student Loan Operating Fund - 664 (Continued)					
State contribution for employees' group insurance	\$ 3,620,286	\$ 2,597,077	\$ 1,023,209	39%	Change in cost allocation, resulting in an increase in SLOF portion of salaries.
Printing	104,580	134,416	(29,836)	-22%	Decrease in printing and purchase of paper used in printing.
Telecommunications	576,419	840,311	(263,892)	-31%	Telecommunications expenses were lower in 2005 due to decreases in the telecom rates by Central Management Services.
Loan based solution project	1,126,252	364,877	761,375	209%	Statistical tabulation expenses that had been paid out of contractual services.
Refunds to students	-	11,000,000	(11,000,000)	-100%	FY 2004 was the final installment of working capital borrowed from Fund 663.
Federal Reserve Recall Fund - 665					
Default prevention activities and payments of recalled federal funds	-	4,213,303	(4,213,303)	-100%	The fund was closed in FY 2005.
Contracts and Grants Fund - 677					
Costs to support outreach and training activities	13,225	30,438	(17,213)	-57%	Decrease in total grant award amount.
Federal Student Incentive Trust Fund - 701					
Grant awards to full-time and part-time students	-	38,152	(38,152)	-100%	No grant award in FY 2005.

(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures
 Two Years Ended June 30, 2004 and 2003

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2004	2003	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
General Revenue Fund - 001					
Printing	\$ 79,725	\$ 61,360	\$ 18,365	30%	Increase in quantity of paper purchased and printing costs.
Equipment	9,355	19,836	(10,481)	-53%	GRF budget constraints resulting in a reduction of equipment purchases.
Operation of automotive equipment	4,729	6,283	(1,554)	-25%	GRF budget constraints resulting in a reduction of travel and, therefore, automobile operation expenses.
Minority teacher scholarships	2,959,477	2,275,467	684,010	30%	Increase in total grant award amount.
Debolt teacher shortage scholarships	-	2,588,302	(2,588,302)	-100%	The State of Illinois discontinued the program in FY 2004.
IL Scholars scholarships	3,514,300	-	3,514,300	-100%	New program in FY 2004.
Federal costs allocations	99,568	74,936	24,632	33%	Appropriation for cost allocation expenses was increased in FY 2004.
Payment for I Teach teacher	2,157,658	-	2,157,658	100%	New program in FY 2004.
IL Future Teacher Corps	4,099,224	-	4,099,224	100%	New program in FY 2004.
Federal Congress Teacher Scholarship Fund - 92					
Federal Congress Teacher scholarship for transferring payment	400,000	-	400,000	100%	The Paul Douglas Program repayments were refunded to the Department of Education.
Accounts Receivable Fund - 242					
Cost of collecting delinquent student scholarships	61,856	84,210	(22,354)	-27%	Collections were lower in FY 2004, therefore expenditures were correspondingly lower.
Optometric Ed Scholarship Fund - 259					
Scholarships for eligible students pursuing a graduate degree in optometry	50,000	-	50,000	100%	New program in FY 2004.

State of Illinois
Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures - Continued
Two Years Ended June 30, 2004 and 2003

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2004	2003	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Monetary Award Program Reserve Fund - 420					
Grant awards to eligible full-time and part-time students	\$ -	\$ 2,370,160	\$ (2,370,160)	-100%	There were no expenditures for the Monetary Award Program from this fund in FY 2004.
Higher EdNet Fund - 423					
Costs associated with Higher EdNet program	2,068	55,227	(53,159)	-96%	The fund was closed in FY2005 and there were only a few transactions in 2004.
Student Loan Operating Fund - 664					
State contribution to State Employees' Retirement Funds	1,585,506	1,216,239	369,267	30%	Increase in rate of contribution to SERS for all agencies.
Travel	97,232	122,389	(25,157)	-21%	Decrease in out of state travel expenses in FY 2004.
Equipment	211,936	154,133	57,803	38%	Increased equipment expenses charged to SLOF as a result of GRF budget constraints.
Operation of automotive equipment	18,420	26,948	(8,528)	-32%	Decrease is due to a reduction of travel and, therefore, automobile operation expenses.
Printing	134,416	162,863	(28,447)	-17%	Decrease in printing and purchase of paper used in
Loan based solution project	364,877	4,600,692	(4,235,815)	-92%	Decrease is due to completion of Odyssey implementation during FY 2003.
Repayment of loan to Federal Student Loan Fund	11,000,000	2,000,000	9,000,000	450%	FY 2004 was the second and final installment repayment of working capital borrowed from Fund 663
Collection agency fees	3,414,683	2,678,771	735,912	27%	Increase in collections by collection agencies resulted in increased fees paid.
Federal Reserve Recall Fund - 665					
Default aversion activities and payment of recalled federal funds	4,213,303	20,336,603	(16,123,300)	-79%	Default prevention expenses were higher in FY 2004, however, reserve recall funds set aside were paid to the Federal Department of Education in FY 2003.

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations In Expenditures - Continued
 Two Years Ended June 30, 2004 and 2003

Source: Schedule of Appropriations, Expenditures and Lapsed Balances

	2004	2003	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Contracts and Grants Fund - 677					
Costs to support outreach and training activities	\$ 30,348	\$ -	\$ 30,348	100%	Appropriation authority for expenditure from this fund first provided in FY 2004.
Federal Student Incentive Trust Fund - 701					
Grant awards to full-time and part-time students	38,152	3,662,070	(3,623,918)	-99%	No grant award in FY 2004, other than \$38,152 carried forward from previous year.
					(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations in Receipts
 Two Years Ended June 30, 2005 and 2004

	2005	2004	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
General Revenue Fund - 001					
Teachers scholarships repayments	\$ 223,692	\$ 163,111	\$ 60,581	37%	Collection on scholarships were higher in FY 2005.
Restitutions	47,513	10,688	36,825	345%	Due to increase in court ordered MAP restitution settlements.
Federal Congressional Teachers Scholarship Fund - 092					
Teachers scholarships repayments	36,350	62,271	(25,921)	-42%	The Paul Douglas Teacher Scholarship Program has ended, therefore, repayments are decreasing.
Accounts Receivable Fund - 242					
Teachers scholarships repayments	461,692	131,002	330,690	252%	Collections from teachers who did not fulfill the requirements were higher in FY 2005.
Federal Student Loan Fund - 663					
Repurchased student loans	\$ 33,530,616	\$ 20,593,982	\$ 12,936,634	63%	Defaulted student loans repurchased by the lender were higher in FY 2005.
Student Loan Operating Fund	-	11,000,000	(11,000,000)	-100%	Repayment of working capital borrowed was completed in FY 2004.
Student Loan Operation Fund - 664					
Loan processing and issue fees	4,603,848	6,334,519	(1,730,671)	-27%	Loan processing and issuance fees were lower due to rate decrease in loans disbursed in FY 2005.
Federal direct compensation	6,694,916	12,858,832	(6,163,916)	-48%	Fees received from the Federal Department of Education from direct consolidation of student loans was lower in FY 2005.

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations in Receipts - Continued
 Two Years Ended June 30, 2005 and 2004

	2005	2004	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Student Loan Operation Fund - 664 (Continued)					
Student Loan Operating Fund	-	627,790	(627,790)	100%	\$627,790 was recorded by the Comptroller's Office in Student Loan Operating Fund line in error. This amount should have been recorded as Federal Student Loan.
Federal Student Loan Fund	18,210,086	12,572,444	5,637,642	45%	Fund 664's portion of retention revenue was higher mainly due to an increase in rehabilitated loans.
Copy fees	664	16,508	(15,844)	-96%	IDAPP's credit bureau fees were lower in FY 2005 due to decrease in credit reporting services provided to lenders.
Reimbursement/jury duty and recoveries	35,822	3,845	31,977	832%	Refund from the Federal Department of Education of \$30,831 in FY 2005.
Contracts and Grants Fund - 677					
Private organizations/foundations grants	\$ 17,425	\$ 54,925	\$ (37,500)	100%	Funds received were lower in FY 2005
Federal Student Incentive Trust Fund - 701					
Department of Education	-	38,152	(38,152)	-100%	No grant award in FY 2005.

*Source: State of Illinois Office of the Comptroller SB04 reports for FY 2005, 2004 and 2003

(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations in Receipts
 Two Years Ended June 30, 2004 and 2003

	2004	2003	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
General Revenue Fund - 001					
Teachers scholarships repayments	\$ 163,111	\$ 76,891	\$ 86,220	112%	Collection on scholarships were higher in FY 2004.
Miscellaneous	550	1,941	(1,391)	-72%	Miscellaneous revenue was lower in FY 2004 due to decrease in orders of labels from schools for the State Scholars program.
Restitutions	10,688	49,012	(38,324)	-78%	Due to decrease in court ordered MAP restitution settlements.
Loan repayments	-	250,000	(250,000)	-100%	Final installment of loan repayment from Fund 557 was received in FY 2003.
Accounts Receivable Fund - 242					
Teachers scholarships repayments	131,002	272,622	(141,620)	-52%	Collections from teachers who did not fulfill the requirements were lower in FY 2004.
Federal Student Loan Fund - 663					
Repurchased student loans	20,593,982	15,117,810	5,476,172	36%	Defaulted student loans repurchased by the lender were higher in FY 2004.
Department of Education	54,335,895	73,106,607	(18,770,712)	-26%	Reinsurance due from the Federal Department of Education was lower due to a decrease in claims paid.
Restitutions	332	1,444	(1,112)	-77%	Due to decrease in court ordered restitution settlements.
Student Loan Operating Fund	11,000,000	2,000,000	9,000,000	450%	The increase is due to the \$11 million repayment of the second and last installment of working capital borrowed from Fund 664.

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Variations in Receipts - Continued
 Two Years Ended June 30, 2004 and 2003

	2004	2003	Increase (Decrease) Amount	% of Change Threshold 20%	Explanation
Student Loan Operation Fund - 664					
Reimbursement/jury duty and recoveries	3,845	29,651	(25,806)	-87%	For the first part of 2003, IDAPP credit bureau fees were included in this balance. Thereafter, they were classified as copy fees.
Loan processing and issue fees	6,334,519	4,848,474	1,486,045	31%	Loan processing and issuance fees were higher due to increase in loans disbursed in FY 2004.
Federal direct compensation	12,858,832	9,746,506	3,112,326	32%	Fees received from the Federal Department of Education from direct consolidation of student loans was higher in FY 2004.
Student Loan Operating Fund	\$ 627,790	\$ -	\$ 627,790	100%	\$627,790 was recorded by the Comptroller's Office in Student Loan Operating Fund line in error. This amount should have been recorded as Federal Student Loan.
Copy fees	16,508	12,220	4,288	35%	In 2003, a portion of the credit bureau fees were recorded as reimbursements.
Local debt service account	-	48,822	(48,822)	-100%	FY 2002 refund from the Debt Service Fund for 1992 Series Bonds which were retired.
Federal Reserve Recall Fund - 665					
Interfund payment	-	170,756	(170,756)	-100%	This fund was closed in FY 2004.
Contracts and Grants Fund - 677					
Private organizations/foundation grants	54,925	-	54,925	100%	New fund created in FY 2004.
Federal Student Incentive Trust Fund - 701					
Department of Education	38,152	3,662,070	(3,623,918)	-99%	No grant award in FY 2004, other than \$38,152.

*Source: State of Illinois Office of the Comptroller SB04 reports for FY 2005, 2004 and 2003

(Concluded)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending
 Fourteen Months Ended August 31, 2005

	Total Expenditures	Lapse Period Expenditures	Percent of Total	Explanation
General Revenue Fund - 001				
Contractual services	\$ 1,802,600	\$ 167,767	9%	These invoices were not received until near the end of the fiscal year, thus payment occurred during the lapse period.
Commodities	32,710	16,900	52%	ISAC had originally identified commodities funding as a source to be used to meet administrative requirements designed by the Governor. Near the end of the fiscal year, unexpended funding in other line items became sufficient to meet reserve requirements, thus commodities funding was released for expenditure.
Printing	82,351	36,501	44%	A number of printing projects are normally delayed until the end of the legislative season to confirm information for publications such as the MAP maximum award amount, new program legislation, etc.
Matching grants to Illinois institutions to supplement scholarship programs	949,576	332,611	35%	For this program, ISAC rules stipulate that claims should be prorated if appropriations are insufficient to meet claims. ISAC needed to wait until all claims had been received before determining the prorated amount, and as a result, actual vouchering of payments to institutions occurred during the lapse period.
National guard and naval militia scholarships	4,216,711	351,508	8%	For this program, ISAC rules stipulate that claims should be prorated if appropriations are insufficient to meet claims. ISAC needed to wait until all claims had been received before determining the prorated amount, and as a result, actual vouchering of payments to institutions occurred during the lapse period.

(Continued)

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending (Continued)
 Fourteen Months Ended August 31, 2005

	Total Expenditures	Lapse Period Expenditures	Percent of Total	Explanation
Federal Student Loan Fund - 663				
Distribution necessary as the result of guarantees of loans that are uncollectible and payments pursuant to federal agreements	\$ 142,428,538	\$ 11,991,110	8%	These invoices were not received until near the end of the fiscal year, thus payment of these invoices occurred during the lapse period.
Student Loan Operating Fund - 664				
Contractual services	7,428,975	911,481	12%	These invoices were not received until near the end of the fiscal year, thus payment of these invoices occurred during the lapse period.
Printing	104,580	20,833	20%	A number of printing projects are normally delayed until the end of the legislative season to confirm information for publications such as the MAP maximum award new program legislation, etc.
Equipment	222,160	185,303	83%	The equipment purchases represent planned procurements to keep reasonably current with technology. The procurements were held until late in the fiscal year to ensure that the fund's total expenditure was within the total internal budget targeted for the year.

(Concluded)

State of Illinois
Illinois Student Assistance Commission

Analysis of Significant Lapse Period Spending
Fourteen Months Ended August 31, 2004

	Total Expenditures	Lapse Period Expenditures	Percent of Total
General Revenue Fund - 001			
Travel	\$ 11,727	\$ 1,953	17%
Printing	79,725	28,373	36%
Student Loan Operating Fund - 664			
Contractual services	8,291,204	717,307	9%
Printing	134,416	69,168	51%
Equipment	211,936	153,613	72%
Telecommunications	840,311	107,111	13%

State of Illinois
 Illinois Student Assistance Commission

Analysis of Significant Balance Sheet Accounts
 June 30, 2005, 2004 and 2003
 (Amounts expressed in thousands)

The following analysis describes significant variations of balance sheet accounts for the Commission's shared General Revenue Fund:

	2005	2004	2,003
Investments	\$ 829,923	\$ 1,171,513	\$ 933,385
Tuition payable	562,274	457,228	347,305
Accreted tuition payable	115,330	80,471	49,609
Revenue bonds and notes payable	3,737,846	3,563,610	2,967,980

Investments:

This refers to investment activities by the Prepaid Tuition Program and the Illinois Designated Account Purchase Program (IDAPP). This Illinois Prepaid Tuition Program investments increase due to purchase of additional contracts and consequent increase in cash payments from contract purchasers. Investments for the Prepaid Tuition Program have increased from \$336 million in 2003 to \$492 million in 2004 and \$641 million in 2005. Changes in the IDAPP's investments are due to timing of bond issuances and availability of funds to invest vary from year to year. IDAPP's investments have increased from \$933 million in 2003 to \$1,172 million in 2004 but have decreased as of June 30, 2005 to \$830 million.

Tuition Payable:

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

Accredited Tuition Payable:

This account in the Illinois Prepaid Tuition Program represents management's estimate of the present value of the tuition payment to be made in excess of principal payment received and is expected to be earned from investments of tuition contracts. The accretion expense is estimated as a percentage of the tuition payable account and, therefore, increases as tuition payable increases.

Revenue Bonds and Notes Payable:

This account in the Illinois Designated Account Purchase Program (IDAPP) represents the issuance of student loan revenue bonds and notes. The increase is due to additional debt issuance.

State of Illinois
 Illinois Student Assistance Commission

Analysis of Accounts Receivable
 June 30, 2005 and 2004
 (Amounts expressed in thousands)

	2005	2004
Intergovernmental	\$ 28,234	\$ 16,700
Student loans	671,392	420,231
Accrued interest on loans and notes	45,786	39,408
Accrued interest on investments	1,749	6,771
Other	20,316	7,405
Total	\$ 767,477	\$ 490,515

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. The increase in receivable is due to delay in payment from the Department of Education in May and June of FY 2005.

Student Loans Receivable:

IDAPP continues its efforts to grow the business and reach improved economies of scale. Its student loan receivable balance has grown by double-digit percentages each year since 1995. IDAPP originated/purchased \$1.2 billion and \$953 million in FY 2005 and FY 2004, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was \$671 million in 2005 and \$420 million in 2004. 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 \$2.9 billion of federally insured FELP loans and \$365 million in alternative loans. The FELP portfolio has historically defaulted less than 2% of the total portfolio per year. IDAPP is reimbursed for these loans at either 100% or 98% by the Guarantor agencies. The rate of reimbursement depends on the date of disbursement of the underlying loans and is also influenced by the loan servicers designation of exceptional performer. For the Alternative Loan portfolio, any loans that become 120 days delinquent are reserved for in the loan loss reserve. At fiscal year-end 2005, 1.2% of the Alternative Loan portfolio was reserved for loan loss.

Accrued Interest on Loans:

Accrued interest on loans is up in 2005 when compared to 2004. This is mainly due to growth in the student loan portfolio.

Accrued Interest on Investments:

Accrued interest on investments is down in 2005 when compared to 2004. The difference is mostly due to funds being used more rapidly for loan origination and purchase and, therefore, shorter term investments. At June 30, 2005 IDAPP held approximately \$190 million in investments; June 30, 2004, IDAPP held approximately \$680 million in investments.

Federal Special Allowance and Interest Subsidy:

Other receivables are up in 2005 relative to 2004 because of growth in the student loan portfolio and timing of report submission and response from the U.S. Department of Education, as well as economic conditions that caused a higher special allowance.

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Two Years Ended June 30, 2005 and 2004**

Agency Functions and Planning Program

Commission Organization

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

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

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

Monetary Award Program

This program was created to provide financial assistance to qualifying students who are residents of the State of Illinois and enrolled at an approved post-secondary institution in Illinois. The monetary awards are granted on the basis of student financial need and the availability of funds. The grant provided up to \$5,000 in fiscal years 2004 and 2005 for the payment of tuition and mandatory fees. The program is funded by the General Revenue and Education Assistance Funds appropriations.

Illinois Incentive for Access Program

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

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Two Years Ended June 30, 2005 and 2004**

Agency Functions and Planning Program (Continued)

Merit Recognition Scholarship Program

This program is designed to encourage and reward outstanding academic achievement of Illinois high school graduates. It is funded by the General Revenue Fund. One-time scholarships of one thousand dollars are awarded to qualified Illinois high school students who rank in the top 5% of their class or who score in the top 5% of Illinois students on a standardized college entrance exam.

State Scholar Program

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

Robert C. Byrd Honors Scholarship Program

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

Ancillary Award Programs

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

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

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Two Years Ended June 30, 2005 and 2004**

Agency Functions and Planning Program (Continued)

Federal Family Education Loan Program (FFELP)

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

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

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

Alternative Loan Program

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

Illinois College Accounts Network

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

Higher EdNet

Higher EdNet is a financial assistance location service offered by ISAC. The service provides information about federal, state, institutional and private sources of financial aid to students and parents looking for funding assistance for post-secondary education. Due to the recent increased availability of similar reliable no-cost services via the Internet, the Higher EdNet service was discontinued in FY2004.

Higher Education License Plate Grant Program

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

**State of Illinois
Illinois Student Assistance Commission**

**Analysis of Operations
Two Years Ended June 30, 2005 and 2004**

Agency Functions and Planning Program (Continued)

Higher Education License Plate Grant Program (Continued)

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

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

College Illinois!

In November 1997 the General Assembly and the Governor approved legislation authorizing ISAC to administer an Illinois prepaid tuition program. The purpose of this program is to provide Illinois families with an affordable tax-advantaged method to pay for college. Illinois prepaid tuition contracts allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges at current program prices which are considerably less than projected future college costs. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. In June 1998 ISAC was provided with a \$1,250,000 General Funds loan to cover administrative costs associated with the start-up of the program in the expectation that the first contracts would be offered for sale in the fall of 1998. As of June 30, 2003, ISAC has repaid the entire amount of the loan to the General Fund. The Illinois Prepaid Tuition Program has been named College Illinois! and is reported as a proprietary fund.

Illinois Designated Account Purchase Program (IDAPP)

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

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

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

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Analysis of Operations
Two Years Ended June 30, 2005 and 2004

Agency Functions and Planning Program (Continued)

Illinois Opportunity Loan Program (IOLP)

IOLP was instituted in 1990 to assist middle-income families with higher education costs. Under the program, IOLP originated Stafford non-subsidized loans to Illinois residents. Eligible student borrowers had to be sophomores or above attending a degree-granting institution and each student borrower had to meet all federally established Stafford Loan Program eligibility requirements except the needs test (as defined). These loans are guaranteed by ISAC in its capacity as a Guaranty Agency and are reinsured under the Federal Higher Education Act of 1965, as amended. Capital to originate IOLP was initially funded through the sale of bonds. Due to no activity in the program in recent years, the fund has been closed in FY2004. All liabilities and outstanding bonds have been liquidated and the remaining assets totaling \$6.63 million has been deposited into the IDAPP fund until collection of the student receivables is complete.

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.

Auditor's Assessment of Agency Functions and Planning Program

The Commission's planning and evaluation program has been developed and administered during the audit period. Goals and objectives have been established and measurement criteria have been developed to assess progress towards objectives specified in planning documents.

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Average Number of Employees
 Years Ended June 30, 2005, 2004 and 2003
 (Unaudited)

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	2005	2004	2003	Increase / (Decrease)	
				2005	2004
Executive	48	47	45	1	2
Client Relations	2	8	7	(6)	1
Program Services	96	96	94	-	2
Business and Financial Services					
Claims and Collections	106	104	107	2	(3)
Accounting Services	38	42	40	(4)	2
Sub-total	144	146	147	(2)	(1)
Management Information Services	65	61	59	4	2
Human Resources	11	10	10	1	-
Administrative Services	17	17	17	-	-
Total full-time employees*	383	385	379	(2)	6
Full-time equivalent part-time employees*	19	19	8	-	11
IDAPP	130	132	136	(2)	(4)
Total Employees	532	536	523	(4)	13

*Source: Monthly Personnel Listing Report - for years ended June 30, 2005, 2004 and 2003

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Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2005 and 2004 (Unaudited)

Program	2005 Recipients/Students Dollars Awarded Average Award	2004 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Minority Teachers of Illinois Scholarship Program	607 \$2,817,073 \$4,641	631 \$2,959,477 \$4,690	-3.80% -4.81% -1.04%	This program awards up to \$5,000 to minority students who agree to teach for at least one year, under specified conditions.
Bonus Incentive Grant	399 \$219,000 \$549	1,252 \$649,880 \$519	-68.13% -66.30% 5.78%	Non-need based grants awarded to holders of Illinois college savings bonds. The proceeds of bonds are used for educational instruction purposes.
Robert C. Byrd Honors Scholarship Program	1,074 \$1,589,986 \$1,480	1,082 \$1,582,501 \$1,463	-0.74% 0.47% 1.16%	This program provides scholarships of up to \$1,500 for a maximum of four academic years to academically exceptional high school graduates.
Illinois Future Teacher Corp Scholarship Program	555 \$3,770,517 \$6,794	1053 \$6,256,882 \$5,942	-47.29% -39.74% 14.34%	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.

Information was obtained from the Commission's Data Book.

State of Illinois
 Illinois Student Assistance Commission

Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2005 and 2004 (Unaudited)

Program	2005 Recipients/Students Dollars Awarded Average Award	2004 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Federal Stafford Loans Subsidized	119,709 \$536,641,983 \$4,482	125,268 \$521,973,967 \$4,167	-4.44% 2.81% 7.56%	Low interest loan program. Both subsidized (need based) and non-subsidized loans are made available to students.
Unsubsidized	90,390 \$494,123,642 \$5,467	90,240 \$464,623,380 \$5,149	0.17% 6.35% 6.18%	
Federal Plus Loans	12,375 \$120,192,678 \$9,713	13,362 \$125,226,058 \$9,372	-7.39% -4.02% 3.64%	A need-based program designed to assist parents of dependent undergraduate students
Un/loan Consolidation Loan Program	28,387 \$827,675,438 \$29,157	18,136 \$525,118,621 \$28,954	56.52% 57.62% 0.70%	Combined various educational loans into one manageable loan, allowing borrowers to make one monthly payment.
Monetary Award Program	150,311 \$330,328,687 \$2,198	140,898 \$331,807,485 \$2,355	6.68% -0.45% -6.67%	Second largest need-based program in the nation (1994).
Illinois Designated Account Purchase Program	152,982 \$1,255,417,991 \$8,206	128,317 \$950,266,973 \$7,406	19.22% 32.11% 10.80%	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.

Information was obtained from the Commission's Data Book.

State of Illinois
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Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2005 and 2004 (Unaudited)

Program	2005 Recipients/Students Dollars Awarded Average Award	2004 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Illinois National Guard and Naval Militia Grant Program	1,698 \$4,216,713 \$2,483	2,001 \$4,497,343 \$2,248	-15.14% -6.24% 10.45%	An entitlement program for members of the Illinois National Guard and Naval Militia.
Illinois Veterans' Grant	11,511 \$19,217,037 \$1,669	11,815 \$19,211,591 \$1,626	-2.57% 0.03% 2.64%	An entitlement program for Illinois veterans.
Police/Fire Officers' Survivor Grant Program and Grant Program for Dependents of Correctional officers	69 \$349,997 \$5,072	74 \$270,430 \$3,654	-6.76% 29.42% 38.81%	This program pays tuition for spouses and children of police and firefighters killed in the line of duty.
Illinois State Scholar Program	16,516	15,951	3.54%	An honorary program (no monetary value) to recognize academic achievement in high school.
Student to Student Program of Matching Grants	3,427 \$949,576 \$277	2,983 \$949,992 \$318	14.88% -0.04% -12.89%	An institutional need-based grant program for undergraduate students.
Silas Purnell Illinois Incentive for Access Grant Program (IIA)	18,720 \$6,861,750 \$367	17,351 \$6,814,000 \$393	7.89% 0.70% -6.62%	A need based grant program for freshman applicants who have no financial resources for college.

Information was obtained from the Commission's Data Book.

State of Illinois
 Illinois Student Assistance Commission

Annual Cost Statistics - By Activity
 Two Years Ended June 30, 2005 and 2004 (Unaudited)

Program	2005 Recipients/Students Dollars Awarded Average Award	2004 Recipients/Students Dollars Awarded Average Award	% Change	Description/Highlights
Higher Ed License Plate Program (HELP)	206 \$51,650 \$251	212 \$53,100 \$250	-2.83% -2.73% 0.40%	A scholarship grant program funded by fees charged for specialized collegiate license plates by colleges and universities in Illinois.
IL Teachers and Child Care Providers Loan Repayment Program	48 \$230,791 \$4,808	29 \$148,886 \$4,739	65.52% 55.01% 1.46%	A matching grant program to the federal Teacher Loan Forgiveness Program for teachers and child care providers.
Optometric Education Scholarship Program	10 \$50,000 \$5,000	10 \$50,000 \$5,000	0.00% 0.00% 0.00%	A scholarship program for students pursuing a graduate optometry degree in Illinois.
Illinois Scholars (Golden Apple)	345 \$3,020,000	346 \$3,514,300	-0.29% -14.07%	A scholarship program for recruiting students into teaching careers.
Merit Recognition Scholarship Program	5,458 \$5,372,000 \$984	4,491 \$4,426,000 \$986	21.53% 21.37% -0.20%	This program recognizes academic achievements of Illinois high school graduates with a one time non-need based award of \$1,000.

Information was obtained from the Commission's Data Book.

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Emergency Purchases
Year Ended June 30, 2005

	Amount	Date Notarized	Date Filed	Explanation
Information Services	\$ 618,296	10/6/04	10/6/04	The procurement process is unlikely to be completed before the expiration of the emergency extension amendment. Therefore, another extension is entered into so that Keane can continue to provide electronic data processing for ISAC' Federal Systems Maintenance so that there is no disruption of service. The extension is for the period 09/29/04 thru 12/27/04.

State of Illinois
 Illinois Student Assistance Commission

Emergency Purchases
 Year Ended June 30, 2004

	Amount	Date Notarized	Date Filed	Explanation
Information Services	\$ 635,376	6/29/04	6/30/04	Keane Inc provides the support of critical State and Federal data processing systems for ISAC. The Agency's ability to meet Federal regulatory mandates relies on service continuity. The services has been bid and a recommendation for award beginning with FY05 has been made to CMS. ISAC began the RFP process in September of 2003. This emergency is to provide service coverage for the period 07/01/04 thru 09/28/04, and until the procurement process is finished.
Business & Finance Division	40,572	9/29/03	9/29/03	ISAC intends to purchase an upgrade and additional users for the Agency's general ledger software from American Express Tax and Business Services. The Vendor offered a limited time discount which resulted in savings of \$4,594.00. According to 44 Ill. Adm. Code 1.2030 (b)(4), it is allowable to enter into an emergency procurement when "items are available on the spot market or at discounted prices for a limited time so that good business judgment mandates a purchase immediately to take advantage of the availability and price." ISAC published the notice of emergency procurement on the Illinois procurement website on 09/29/03.

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Service Efforts and Accomplishments (Unaudited)
 Two Years Ended June 30, 2005 and 2004

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 service as a recruitment incentive for the Illinois National Guard.
 - a. The number of students utilizing the National Guard Grant Program will remain equal to 18,000 per year, or increase.
 4. Recognize and reward academic achievement of Illinois high school seniors.
 - a. The number of students recognized through the Merit Recognition Scholarship Program (MRSP) will remain constant or increase.
 5. Increase the number of teachers and workers in designated shortage fields.
 - a. The number of students receiving scholarships to pursue careers in worker shortage areas will increase annually.

	Fiscal Year 2004 Actual		Fiscal Year 2005 Actual	
<u>Input Indicators</u>				
Total expenditures - all sources (in thousands)	\$ 388,769		\$ 383,787	
Total expenditures - state appropriated funds (in thousands)	\$ 388,769		\$ 383,787	
Average monthly full-time equivalent employees	74		74	
<u>Output Indicators</u>				
Number of students receiving MAP awards	140,989		150,311	
Number of students benefiting from service programs	13,890		13,278	
Number of students participating in teacher and worker shortage programs	2,113		1,813	
Number of applications filed	537,907		553,962	
Number of students receiving MRSP awards	4,491		5,458	
<u>Outcome Indicators</u>				
Grant aid as a proportion of tuition and fees	32	%	27	%
Grant aid per undergraduates full-time equivalent students (in dollars)	\$ 792		\$ 779	
Percentage of undergraduates at Illinois colleges receiving state need-based aid	27	%	32	%
Preparation of merit award winners attending in-state schools	50	%	50	%
Average taxable income of families eligible for MAP grants (in dollars)	\$ 21,737		\$ 21,497	
<u>External Benchmarks</u>				
National ranking of maximum award	11		10	
National ranking of need-based aid per undergraduate student (in dollars)	4		4	
National ranking of percent receiving aid	6		10	
National ranking of student aid as a percentage of Higher Education budget	8		8	
<u>Efficiency/Cost-Effectiveness Indicators</u>				
Proportion of administrative spending per 5 awarded	1.27	%	0.95	%

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Service Efforts and Accomplishments (Unaudited)
 Two Years Ended June 30, 2005 and 2004

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

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

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual
<u>Input Indicators</u>		
Total expenditures - all sources (in thousands)	\$ 162,117	\$ 176,229
Total expenditures - state appropriated funds (in thousands)	\$ 162,117	\$ 176,229
Average monthly full-time equivalent employees	320	325
<u>Output Indicators</u>		
Number of loans guaranteed	223,661	227,896
Dollar value of new loan guarantees (in millions)	\$ 1,102.0	\$ 1,182.5
Number of defaults averted	75,361	75,790
Dollar value of default collections (in millions)	\$ 38.6	\$ 37.7
<u>Outcome Indicators</u>		
Number of defaults	16,906	34,212
Percent of Illinois student loans guaranteed by ISAC	42 %	42 %
Percent of delinquent accounts received	82 %	69 %
Borrower satisfaction ratings	87 %	87 %
<u>Efficiency/Cost-Effectiveness Indicators</u>		
Cost per dollar guaranteed (in dollars)	\$ 0.02	\$ 0.02
Costs per dollar collected (in dollars)	\$ 0.29	\$ 0.33

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 Illinois Student Assistance Commission

Service Efforts and Accomplishments (Unaudited)
 Two Years Ended June 30, 2005 and 2004

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

- Program Goals:**
1. Increase the number of families purchasing College Illinois! Contracts.

Objectives:

 - a. The number of families participating in College Illinois! And the amount of contracts administered shall increase each year.
 2. Expand outreach efforts to meet the informational needs of prospective purchasers.

Objectives:

 - a. The effectiveness of program promotional efforts will improve each year.

	Fiscal Year 2004 Actual	Fiscal Year 2005 Actual
<u>Input Indicators</u>		
Total expenditures - all sources (in thousands)	\$ 2,686	\$ 3,232
Average monthly full-time equivalent employees	5	5
<u>Output Indicators</u>		
College Illinois! Contracts purchased (excluding cancellations)	5,911	5,632
Cumulative College Illinois! contracts purchased	42,703	48,256
Total Internet site visits (through enrollment period)	850,000	989,000
Total phone calls (through enrollment period)	7,520	6,961
Total TV/radio ads aired	24,675	25,163
Total newspaper articles	789	623
Total number of news reports	150	113
Annual contract sales (in millions)	\$ 126	\$ 128
<u>Outcome Indicators</u>		
Percent of population covered by TV and radio ads	98 %	98 %
Minority beneficiaries as a percent of total contracts	10 %	10 %
Years of college purchased	19,250	15,160
Cumulative years of college purchased	138,400	153,500
<u>External Benchmarks</u>		
College Illinois! National rank among other prepaid tuition programs	8	8
<u>Efficiency/Cost-Effectiveness Indicators</u>		
Media cost per contract (in dollars)	\$ 125.40	\$ 143.82
Total marketing cost per contract (in dollars)	\$ 238.09	\$ 288.00

State of Illinois
 Illinois Student Assistance Commission

Schedule of Federal and Nonfederal Expenditures
 Years Ended June 30, 2005 and 2004

(expressed in thousands)

	FY 2005 Amount	Percent	FY 2004 Amount	Percent
Federal Expenditures (A)	\$ 221,596	29.48%	\$ 164,908	24.53%
Nonfederal Funds	530,027	70.52%	507,394	75.47%
Totals (B)	<u>\$ 751,623</u>	<u>100.00%</u>	<u>\$ 672,302</u>	<u>100.00%</u>

Source:

- (A) Schedule of Expenditures of Federal Awards
- (B) Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds and the Statement of Activities - Proprietary Funds, for years ended June 30, 2005 and 2004