LEGISLATIVE
AUDIT
COMMISSION

Review of
Illinois Student Assistance Commission
Two Years Ended June 30, 2012

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REVIEW: 4415
ILLINOIS STUDENT ASSISTANCE COMMISSION
TWO YEARS ENDED JUNE 30, 2012

FINDINGS/RECOMMENDATIONS - 14
ACCEPTED - 1
IMPLEMENTED - 13

REPEATED RECOMMENDATIONS - 6

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 17

This review summarizes the reports of the Illinois Student Assistance Commission. The reports consist of three sets of financial statements for FY12 filed with the Legislative Audit Commission on February 21, 2013 and the compliance examination for FY11 and FY12 filed June 6, 2013. The auditors stated that the financial statements presented fairly.

The Illinois Student Assistance Commission (ISAC) was established through the Higher Education Student Assistance Law 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. The Commission was created to establish and administer a system of financial assistance through loan guarantees, scholarships, and grant awards and a prepaid tuition program for residents of the State of Illinois to enable them to attend qualified public or private institutions of their choice within Illinois. The Chair of the Commission since May 2011 is Ms. Kym Hubbard.

ISAC is a part of the executive branch of government. Activities of ISAC are subject to the authority of the Office of the Governor and other departments of the executive branch such as CMS and GOMB, the State Treasurer's Office and the State Comptroller's Office. All funds appropriated to ISAC and all other cash received are under the custody and control of the State Treasurer with the exception of the Illinois Designated Account Purchase Program (IDAPP).

Andrew Davis was Executive Director of the Commission during the first few days of the audit period. He had served in that position since January 1, 2007, and was placed on administrative leave on July 8, 2011. Mr. Davis is no longer with the Agency. Thereafter, John Sinsheimer, ISAC's Chief Financial Officer and Managing Director of Financial Products and Services served as Acting Director until Eric Zarnikow was appointed Executive Director in February 2012. Mr. Zarnikow still serves as Director. He was not previously employed by ISAC.

The average number of full-time equivalent employees was:

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

Expenditures From Appropriations

Appendix A presents a summary of appropriations and expenditures for FY10 through FY12. The General Assembly appropriated $851.2 million to the Illinois Student Assistance Commission in FY12. This represents a $9.5 million, or 1.1%, decrease over FY11. The Commission expended a total of $688,057,236 in FY12, compared to $719,315,167 in FY11. This is $31.2 million less, or a 4.3% decrease, from FY11 to FY12. Significant changes in expenditures from FY11 to FY12 cannot be determined from the audit report due to lump sum appropriations used in FY11; however, according to the FY13 budget book, some of the changes in expenditures were as follows:

- The MAP grants totaled $419.1 million in FY12 compared to $433 million in FY11, or about $14 million more for MAP grants in FY11; and
- $19.6 million decrease for guarantees of loans that are uncollectible.

Lapse period spending during FY12 was about $27.8 million, or 4%, of total expenditures.

Cash Receipts

Appearing in Appendix B is a summary of cash receipts of the Commission during the period under review. Total cash receipts decreased from $438.1 million in FY11 to almost $397.2 million in FY12. The decrease in receipts is primarily due to the decrease in the number of default claims paid to lenders in FY12. No new loans have been issued since 2010.

Property and Equipment

Appearing in Appendix C is a summary of property and equipment transactions of the Illinois Student Assistance Commission during the period under review. The balance decreased from $12 million as of July 1, 2011 to $11.6 million as of June 30, 2012. Of the June 30, 2012 balance, $21,011,000 is in ISAC buildings and the underlying land.

Guaranteed Loan Program

The Illinois Student Assistance Commission guaranteed loans for educational expenses made to Illinois residents by banks, savings and loans, and credit unions through the end of FY10 when the federal government ended the Federal Family Educational Loan Program (FFEL Program) and replaced it with the Federal Direct Loan Program (FDL Program). The difference is FFEL Program funds come from banks and other financial institutions while FDL Program funds come from the U.S. Treasury via the U.S. Department of Education. ISAC does not administer the FDL Program. For all loans made through FFEL Program, the Commission processed default payments and collection of defaulted loans. Under a reinsurance agreement, the federal government has assumed at least 95% of the cost of defaulted loans provided that default rates do not exceed established limits.

The Commission supplied the information for Appendix D which summarizes the guaranteed loans outstanding at the end of FY11 and FY12. The amounts are overstated by unreported payments made directly to lenders. Accrued interest on loans is not included. Also shown is information on payments to lenders, notes receivable on defaulted loans and collections on defaulted loans.

Notes receivable from defaulted borrowers include all defaulted loans excluding death, bankruptcy and disability claims since the inception of the program. The amount is reduced by total collections on these loans since the inception. There is no provision for doubtful or uncollectible amounts.

Accounts Receivable

Accounts receivable for FY12 were $965.7 million. The chart details the amounts.

	2012	2011
Inter-governmental	$ 30,908,000	$ 33,946,000
Student loans	809,409,000	939,850,000
Notes	7,231,000	4,144,000
Accrued interest on loans and notes	15,209,000	17,209,000
Contracts	105,126,000	-
Federal special allowance & interest subsidy	(2,174,000)	(2,541,000)
TOTAL	**$ 965,709,000**	**$ 992,608,000**

Concerning student loans receivable, IDAPP originated/purchased $9.6 million and $10 million of student loans in FY12 and FY11, respectively. The current portion of the overall student loan portfolio balance outstanding at year-end was $113.3 million in 2012 and $127.7 million in 2011.

Notes receivable represents teacher scholarships which converted to loans when the students did not fulfill teaching requirements. Amounts are shown net of an allowance for uncollectible accounts. The reason for the increase from FY11 to FY12 is more former students entering repayment status.

Accrued interest on loans decreased in FY12. The variable interest rates was 1.76% for school FFELP loans, 2.36% for repayment FFELP loans and 3.27% for Plus Loans. All new loans after 7/1/2010 carry a life of loan fixed rate of 6.8% for FFELP loans and 8.5% for Plus loans. The subsidized loan rates for undergraduates was 5.6% effective 7/1/2009. The interest rate for graduates and unsubsidized Stafford loans remained at 6.8%.

Contracts receivable represents the amount the Prepaid Tuition Program expects to receive from contract holders for contracts purchased on an installment basis.

Awards and Grants

The Illinois Student Assistance Commission administers a variety of non-repayable financial assistance programs. A summary of these scholarships and grants awarded during the audit period appears in Appendix E. The number of awards increased from 164,716 in FY11 to 189,657 in FY12. The amount of awards and grants decreased from $417.3 million in FY11 to $405.2 million in FY12.

Financial Information

Appendix F presents a Statement of Net Assets and a Statement of Activities for the Illinois Student Assistance Commission. The summary included both Governmental and Enterprise funds for FY12 and FY11. The change in net assets of -$190 million is related to the operating fund deficit of College Illinois.

Illinois Designated Account Purchase Program

The Illinois Designated Account Purchase Program (IDAPP) is a self-supporting program whereby the Commission purchases guaranteed student loans from eligible lenders to reduce their lender collection and administrative costs. Generally, IDAPP does not purchase loans which are more than 90 days delinquent.

The Program is accounted for as a proprietary fund. At June 30, 2012, the fund had total assets of $896 million and net assets of $21.4 million. The table appearing in Appendix G presents a statement of net assets at June 30, 2012 and 2011.

Appendix H presents a summary of revenues and expenditures for the Designated Account Purchase Program.

College Illinois!

College Illinois! is a prepaid tuition program approved in 1997 to provide Illinois families with an affordable tax-advantaged method to pay for college. The Program is administered by ISAC with advice and counsel from an investment advisory panel consisting of seven members appointed by ISAC. A three-member Investment Committee comprised of Commission members is generally responsible for monitoring Fund investments and performance.

Prepaid tuition contracts will allow participants to prepay the cost of tuition and mandatory fees at Illinois public universities and community colleges. Benefits of the contracts can also be used at private and out-of-state colleges and universities. Contracts can be purchased in a lump sum payment or in installments. As of June 30, 2012, the Program had 50,163 contracts, which was 3,481 fewer than June 30, 2011. The purchase of the new contracts was suspended in September 2011 amid questions about the Program's financial stability and oversight, and reinstated in October 2012.

Total assets in the prepaid tuition program at June 30, 2012 exceeded $1.17 billion. However, in FY12 the program operated at a current fund deficit of $420 million compared to a deficit of $262 million in FY11. Appendix J provides a summary of the Program for FY12 and FY11. According to an actuarial evaluation report, the actuarial value of the Program's assets including the present value of installment contract receivables is $1.211 billion while the actuarial present value of future tuition payments, fees and expenses is $1.643 billion. The market value of program assets and the present value of installment contract receivables is $1.176 billion.

The deficit at June 30, 2012 based on the actuarial value of assets was $431 million compared to $478 million at June 30, 2011. The primary factors which caused the deficit to decrease include the change in the tuition increase assumption, tuition and fee increases less than expected, and other demographic gains. Gains were partially offset by the change in net investment return assumption and investment losses. The Actuary's Report indicates the Program's cash flow is expected to remain positive through 2021 assuming no new contract sales after June 30, 2012. By the year 2022, additional funds will be required to maintain solvency ($1.2 billion for the period 2022 to 2037).

The net investment return assumption of 7.25% was provided by ISAC. This represents a decreased from the 7.50% used in the June 30, 2011 valuation. Significant changes in the actuarial assumptions as compared to the prior year have contributed to the increase in deficit from the prior year. The investment return assumption of 7.5% in 2011 compared to an assumed investment return of 8.4% in 2010 resulted in an increase in the deficit of approximately $112 million compared to June 30, 2010.

Prepaid Tuition Program Management Audit—Prior Findings Follow-Up

The Management Audit of the Prepaid Tuition Program released in May 2012 contained 15 recommendations. The Commission implemented 10 of the 15 recommendations. Two recommendations regarding employee severance pay and contract pricing were partially implemented, and three recommendations regarding conflict of the interest policy, the annual report and prepaid tuition contract fees were not yet implemented.

Accountants' Findings and Recommendations

Condensed below are the 14 findings and recommendations, six repeated, from the compliance and financial reports. The following recommendations are classified on the basis of updated responses provided by Shoba Nandhan, CFO, in a memo received via electronic mail on January 24, 2014.

Accepted or Implemented

1. Approve the annual budget for non-appropriated funds and the budget request to be submitted to the General Assembly for appropriated funds that are prepared by management.

Finding: The Illinois Student Assistance Commission (Commission) did not approve the FY12 budget relating to the Commission's non-appropriated funds and did not deliberate and vote on budget requests submitted to the General Assembly for appropriations relating to the appropriated funds of the Commission.

Auditors noted that the annual operating budgets for FY12 for the Commission's non-appropriated funds, the Illinois Prepaid Tuition Program (IPTP) and the Illinois Designated Account Purchase Program (IDAPP), were not approved by the Board of Commissioners. In addition, budget requests that were submitted to the General Assembly for appropriation for FY12 were not deliberated and voted on by the Board of Commissioners.

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

ISAC has already implemented the recommended corrective action. The FY13 budget for the agency, including the budgets for IPTP and IDAPP were approved by the Commission at its meeting on June 25, 2012. The budget request to be submitted to the General Assembly for appropriation for FY14 was presented as an information item at the

November Commission Meeting and will be presented to the Board of Commissioners at the January 2014 meeting as an action item for their approval.

2. Direct IDAPP to continue to monitor the loan covenant violations and continue seeking remedies from the lender involved. (Repeated-2009)

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

During the audit of the agency's June 30, 2009 financial statements, the Illinois Designated Account Purchase Program (IDAPP) management discovered that they had potentially violated one of the covenants relating to the agency's revolving credit line (loan) agreement with a bank. The noncompliance pertained to the "Coverage condition ratio" covenant. The minimum Coverage Condition ratio required by the line of credit agreement is 104% and the current ratio as of June 30, 2012 was 101.30%.

During the audits of the agency's June 30, 2010 and 2011 financial statements, auditors noted that IDAPP was in violation of the same covenant noted above. In addition, the agency was in violation of another covenant, the "Default ratio." IDAPP is required to maintain a maximum Default ratio of 6.25%. As of June 30, 2012, IDAPP's Default ratio was 8.36%, resulting in noncompliance with the Default ratio by IDAPP.

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

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

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

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

Accepted or Implemented - continued

3. Comply in a timely fashion with the requirements of the Identity Protection Act.

Finding: The Commission did not comply with certain provisions of the Identity Protection Act. Auditors noted the following instances of noncompliance:

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

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

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

4. Adopt procedures to ensure that the creation and execution of all legal contracts comply with the SAMS requirement to disclose that the legal contracts are not subject to the Illinois Indemnification Act. (Repeated-2010)

Finding: The Commission did not comply with certain requirements for creation and execution of State contracts.

Auditors noted that both contracts for legal services sampled totaling $750,000 did not contain the required disclosure that the contracts are not subject to the Illinois Indemnification Act.

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

5. Review procedures for the filing of contracts with the Comptroller to ensure all documents are submitted in a timely fashion. (Repeated-2008)

Finding: The Commission did not submit all contract and late filing affidavits to the Illinois Office of the Comptroller (Comptroller) on a timely basis. During an examination of a sample of contracts, the auditors noted the following:

- For contracts paid from appropriated funds, seven of 50 were submitted to the Comptroller late, and six required Late Filing Affidavits to be submitted. The contracts were filed 34 to 51 days late. These contracts totaled $3,272,316.
- For contracts paid from non-appropriated funds, two of 20 contracts sampled were submitted to the Comptroller late. Further, the required Late Filing Affidavits were submitted late. One contract was 40 days late and the other 95 days late. The contracts totaled $450,000.

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

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

6. Segregate the function of preparing purchase requisitions from the function of approving purchase requisitions.

Finding: The Commission did not maintain adequate segregation of duties over the preparation and approval of master requisitions.

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

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

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

7. Adopt procedures to ensure that the annual Agency Workforce Reports contain complete and accurate information for each defined reporting period. (Repeated-2010)

Accepted or Implemented - continued

<u>Finding:</u> The Commission did not include complete and accurate information on its Agency Workforce Report. Auditors noted the following exceptions on the Commission's Agency Workforce Reports (AWR):

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

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

<u>Response:</u> Implemented. The process has been revised and additional controls have been implemented so that the report is reviewed and checked to help ensure accuracy going forward.

8. Ensure that required annual performance evaluations of employees are completed and submitted to the Human Resource Department in a timely manner. (Repeated-2010)

<u>Finding:</u> The Commission did not complete performance evaluations for some employees and some evaluations were not completed timely. Based on an examination of 30 individuals' employee performance evaluations, auditors noted the following:

- The performance evaluations of 13 of 30 employees sampled were submitted late to the Human Resource Department (HRD). These evaluations were submitted between one and 104 days late.
- Two of 30 employees sampled did not receive a performance evaluation during FY11.

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

<u>Response:</u> Implemented. HRD will monitor receipt of appraisals to help ensure performance appraisals are completed timely going forward.

9. Comply with the Higher Education Student Assistance Act and include all information required in the MAP assessment report, in order to ensure members of the General Assembly have access to all data required, or seek legislative remedy to the statutory requirement.

Finding: The Commission omitted several analytical factors from its assessment of monetary award program recipients. During an examination, auditors noted the Commission failed to assess certain aspects of monetary award program (MAP) recipients including:

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

Since February 1, 1999, the Commission has been required to submit an assessment report on MAP to the General Assembly and the Board of Higher Education at least every two years.

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

Response: Implemented. While the Commission agrees that this report did not include the items noted above, the data was provided to the legislature. However, beginning in FY13 the report included the elements noted, and the information will be included in submissions going forward.

10. Comply with statute and improve controls over police officer and fire officer grants to ensure overpayments are not made when a student attends multiple institutions.

Finding: The Commission distributed Police Officer or Fire Officer Survivor Grants in excess of what is mandated under the Higher Education Student Assistance Act. Auditors noted that for one of 25 students sampled, the Commission issued payments that exceeded the maximum allowable 8 semesters. The overpayment totaled $8,760.

According to Commission officials, an administrative error attributed to the overpayment. Processes have been implemented to prevent overpayments in the future. Commission officials also indicated that they requested and received recoupment of the overpayment of $8,760 in FY13.

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

11. Ensure compliance with the requirements of the Open Meetings Act.

Finding: The Commission failed to comply with an Open Meetings Act requirement in a timely manner.

Accepted or Implemented - continued

During a review of Open Meetings Act (OMA) training certifications, auditors noted that two of three OMA designated members failed to meet training requirements. The deadline for the completion of the OMA training was no later than June 30, 2012. The two designated members completed the OMA training on October 17, 2012 and November 13, 2012, 109 and 136 days after the deadline, respectively.

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

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

12. Work with trustees to ensure all required revenue bond reporting to the Comptroller's Office is completed on a timely basis.

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

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

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

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

13. Request funding from the General Assembly for mandated programs or seek legislative remedy from the statutory requirement.

Finding: The Commission failed to request funding from the General Assembly for several of its mandated programs.

During the examination, auditors noted that for four of 31 mandates selected for testing, there were no appropriations from the General Assembly in FY12 and FY11. In addition, the Commission did not request funding relating to these programs to enable it to carry out its responsibilities as required under the mandates. The applicable programs and mandates are as follows:

- Public Interest Attorney Assistance Act, 110 ILCS 916

- Child Welfare Student Loan Forgiveness Act, 110 ILCS 923
- Community College Transfer Grant Program Act, 110 ILCS 924
- Higher Education Student Assistance Act, 110 ILCS 947/65.75

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

Response: Not Accepted. ISAC disagrees with the finding. The Agency undertakes scrupulous efforts to meet all mandates imposed by statute and to comply with all other laws and regulations. Through the promulgation of administrative rules and by publishing information about its programs the Agency fulfills all statutory responsibilities to the citizens of Illinois.

According to statute all mandates are "subject to appropriation." As an agency of the state, ISAC cannot appropriate funds, that being the sole domain of the legislative branch. Nor is ISAC under any statutory mandate to request that the General Assembly (G.A.) appropriate funds to implement programs they created. In fact, subsequent to the General Assembly establishing the four programs cited, they chose to not appropriate any funds.

As previously mentioned ISAC cannot appropriate funds, nor is it aware of any statutory mandate to request that the General Assembly appropriate funds to implement programs they created. Given budget constraints, the Commission has generally not recommended funding for programs that the G.A. has either de-funded or never chosen to fund. Instead, ISAC believes that any available funding should be focused on existing programs, primarily MAP, the state's flagship need-based grant program, which experiences consistent shortfalls, and directly supports both the agency's mission and the state's education goals. The agency provides funding recommendations to the G.A. based on circumstances such as total available funding, program effectiveness, program demand, and other priorities. The G.A, at its members' own discretion, may or may not implement that counsel in approving a state budget.

For budgeting guidance, ISAC looks to its mission: to make postsecondary education accessible and affordable to Illinois residents. In addition, ISAC makes efforts to support policy goals set by the state: to have 60 percent of adults in possession of a high quality certification or degree by 2025 and to reduce achievement gaps for low-income student to less than ten percent. Additionally, the Commission also works in conjunction with the Illinois Board of Higher Education and the Governor's Office of Management and Budget in making its funding recommendations.

Accepted or Implemented - concluded

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

Updated Response: Implemented.

14. Establish a college savings program in accordance with statute or seek a legislative remedy to the statutory requirement. (Repeated-2010)

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

Auditors determined that the Commission had not implemented a college savings program for Illinois citizens in accordance with the Higher Education Student Assistance Act effective August 13, 1989.

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

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

Updated Response: Implemented.

Emergency Purchases

The Illinois Procurement Code (30 ILCS 500/) states, "It is declared to be the policy of the State that the principles of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts...." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption when there exists a threat to public health or public safety, or when immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage to State Property, to prevent or minimize serious disruption in critical State services that affect health, safety, or collection of substantial State revenues, or to ensure the integrity of State records; provided, however that the term of the emergency purchase shall not exceed 90 days. A contract may be extended beyond 90 days if the chief procurement officer determines additional time is necessary and that the contract scope and duration are limited to the emergency. Prior to the execution of the extension, the chief procurement officer must hold a public hearing and provide written justification for all emergency contracts. Members of the public may present testimony.

Notice of all emergency procurement shall be provided to the Procurement Policy Board and published in the online electronic Bulletin no later than 3 business days after the contract is awarded. Notice of intent to extend an emergency contract shall be provided to the Procurement Policy Board and published in the online electronic Bulletin at least 14 days before the public hearing.

A chief procurement officer making such emergency purchases is required to file an affidavit with the Procurement Policy Board and the Auditor General. The affidavit is to set forth the circumstance requiring the emergency purchase. The Legislative Audit Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY12, ISAC filed five affidavits for emergency purchases totaling $142,833.60 as follows:

- $106,611.34 for investment services; and
- $36,222.26 for collection services.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all its officers and employees for whom official headquarters have been designated at any location other than that at which official duties require them to spend the largest part of their working time.

The Agency indicated as of July 13, 2012 that no employees were assigned to locations other than official headquarters.