



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Mary Mosiman, CPA
Auditor of State

NEWS RELEASE

FOR RELEASE

August 17, 2014

Contact: Andy Nielsen
515/281-5834

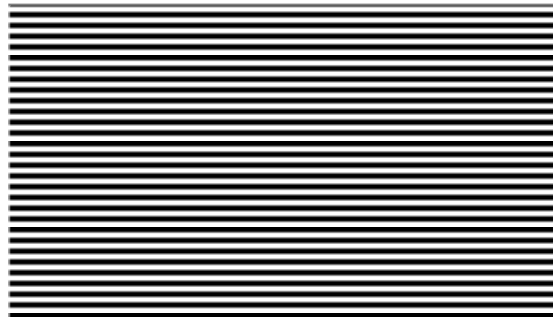
Auditor of State Mary Mosiman today released a report on the Iowa College Student Aid Commission for the year ended June 30, 2014.

The Commission is responsible for guaranteeing loans made by eligible lenders to eligible students and administering the program. The Commission is also responsible for establishing an effective system for the collection of delinquent loans.

Mosiman recommended the Commission review information reported in its GAAP package to ensure the GAAP package information is complete and accurate and review internal controls relating to claims payment and monthly reconciliations. The Commission responded corrective action is being implemented.

A copy of the report is available for review in the office of the Iowa College Student Aid Commission, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1560-2840-0R00.pdf>.

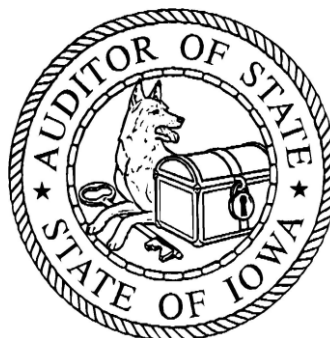
#



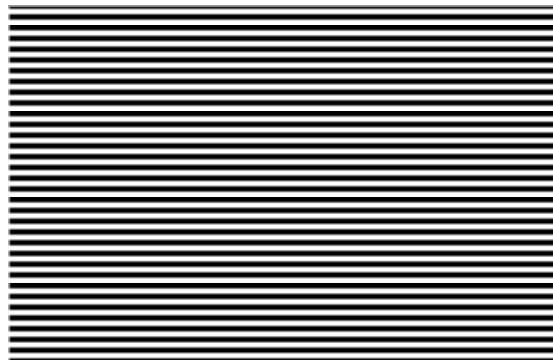
**REPORT OF RECOMMENDATIONS TO THE
IOWA COLLEGE STUDENT AID COMMISSION**

JUNE 30, 2014

Office of
**AUDITOR
OF STATE**
State Capitol Building • Des Moines, Iowa



Mary Mosiman, CPA
Auditor of State





OFFICE OF AUDITOR OF STATE
STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

August 12, 2015

To Karen Misjak, Executive Director
of the Iowa College Student Aid Commission:

The Iowa College Student Aid Commission is a part of the State of Iowa and, as such, has been included in our audits of the State's Comprehensive Annual Financial Report (CAFR) and the State's Single Audit Report for the year ended June 30, 2014.

In conducting our audits, we became aware of certain aspects concerning the Commission's operations for which we believe corrective action is necessary. As a result, we have developed recommendations which are reported on the following pages. We believe you should be aware of these recommendations, which include those included in the State's Report on Internal Control as well as other findings related to the Commission's internal control. These recommendations have been discussed with Commission personnel and their responses to the recommendations are included in this report. While we have expressed our conclusions on the Commission's responses, we did not audit the Iowa College Student Aid Commission's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa College Student Aid Commission, citizens of the State of Iowa and other parties to whom the Iowa College Student Aid Commission may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Commission during the course of our audits. Should you have questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience. Individuals who participated in our audits of the Commission are listed on page 7 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

Warren G. Jenkins
WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Terry E. Branstad, Governor
David Roederer, Director, Department of Management
Glen P. Dickinson, Director, Legislative Services Agency

June 30, 2014

Findings Reported in the State's Single Audit Report:

No matters were noted.

Finding Reported in the State's Report on Internal Control:

Financial Reporting – The Commission records receipts and disbursements in the Integrated Information for Iowa (I/3) system throughout the year, including the accrual period. Activity not recorded in the I/3 system is reported to the Iowa Department of Administrative Services – State Accounting Enterprise (DAS–SAE) in a GAAP package. The GAAP package is to be submitted to DAS–SAE by the first week of September each year.

The Commission understated cash on hand reported in the GAAP package by \$20,700. Certificates of deposit of \$2,378,855 held by the Commission were reported as government securities in the GAAP package. As a result, government securities were overstated by \$2,378,855 and cash on hand and in banks was understated by \$2,399,555 for the footnote disclosure. This was properly adjusted for reporting purposes.

Recommendation – The Commission should thoroughly review information reported in the GAAP package to ensure information reported is complete and accurate.

Response – The Commission will ensure information recorded in the GAAP package is complete and accurate.

Conclusion – Response accepted.

Other Findings Related to Internal Control:

- (1) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Grant Expenditures – The GEAR UP Iowa project staff works with Iowa high schools to encourage students to gain higher education. In September 2013, the Commission paid Quantum Learning Network \$30,350 for a five day program held at Iowa State University for eligible high school students. The cost of the five day program included program facilitators and their travel expenses.

Accounting records document the Commission's accounting staff questioned why a Commission employee was listed as one of the facilitators. The accounting records document the Project Coordinator responded the employee took unpaid leave for the week of the program to facilitate the program. However, the payroll records show the employee was paid for 40 hours during the week in question. The employee's timesheet does not show the employee used vacation or compensatory time during the week.

The Commission subsequently provided a letter from Quantum Learning Network which states the employee was not paid by Quantum Learning because he was being paid by the Commission. Although Quantum Learning asserts the employee was not paid by Quantum Learning, the Commission was billed for the employee's services as a facilitator as well as paying the employee's regular salary.

Report of Recommendations to the Iowa College Student Aid Commission

June 30, 2014

Recommendation – The Commission should thoroughly review claims before payment and verify it is not paying for an employee’s services more than once. In addition, the Commission should request a refund from Quantum Learning for the portion of the invoice costs for the employee paid by the Commission.

Response – The Commission will contact Quantum Learning regarding reimbursement for the amount on the invoice for one facilitator for the weeklong training.

Conclusion – Response accepted.

- (2) Monthly Reconciliations – The Commission provides loans to students to assist in funding their education. Loan balances are tracked in the TEAL system. In addition, the activity is recorded in the I/3 system. Complete monthly reconciliations between the TEAL system and the I/3 system were not prepared. The portion of the TEAL activity reconciled to I/3 was not reconciled timely and was not independently reviewed in a timely manner.

Recommendation – The monthly reconciliations between the TEAL system and the I/3 system should include all activity recorded in TEAL. Variances should be identified and resolved and an independent person should review and document approval of the reconciliation in a timely manner.

Response – Procedures to ensure the monthly reconciliations between the TEAL system and the I/3 system will be completed monthly and an independent person will review and document the approval of the reconciliation.

Conclusion – Response accepted.

- (3) Delinquent Loan Collections – The Commission sold a portfolio of delinquent federal student loans to a collection agency. The collection agency, Great Lakes, sends the Commission collections on the defaulted loans on a monthly basis. Along with the monthly payment from Great Lakes, the Commission receives a coversheet with the total collections of various delinquent loans and the amount received based on an agreed upon percentage. The Commission has no procedures in place to ensure it is receiving the correct amount from Great Lakes.

Recommendation – The Commission should adopt and document procedures used to determine if the collections received from Great Lakes are reasonable and in compliance with the contract.

Response – The Commission will work with Auditors and Great Lakes to look for ways to improve controls to ensure we are collecting all the monies from our portfolio.

Conclusion – Response accepted.

Report of Recommendations to the Iowa College Student Aid Commission

June 30, 2014

- (4) Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) Grant Trust Fund – The GEAR UP grant has two components: an early intervention services component and a scholarship component. The scholarship component of the grant was placed in a trust by the Commission as instructed in the grant agreement. The Commission does not reconcile the trust account records with the monthly bank statements.

Recommendation – The Commission should reconcile the trust account records with the bank statements on a monthly basis and an independent person should review and document approval of the reconciliation.

Response – A monthly reconciliation of the Bankers Trust bank statement will be prepared and an independent person will review and document the approval of the reconciliation.

Conclusion – Response accepted.

Findings Related to Statutory Requirements and Other Matters:

No matters were noted.

Report of Recommendations to the Iowa College Student Aid Commission

June 30, 2014

Staff:

Questions or requests for further assistance should be directed to:

Deborah J. Moser, CPA, Manager
Karen J. Kibbe, Senior Auditor II
Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated in the audits include:

Melissa A. Hastert, Staff Auditor
Trent M. Mussmann, Staff Auditor
Elissa R. Olson, Staff Auditor
Emma L. McGrane, Assistant Auditor
Dan S. Nilsen, Assistant Auditor
Stormi S. Peterson, Audit Intern