



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE June 30, 2003

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released an audit report on the Iowa Federal Family Education Loan Program Division, a Division of the Iowa College Student Aid Commission, State of Iowa, for the year ended June 30, 2002.

The Division was established to guarantee the loans made by eligible lenders to eligible students and to administer the program. The Division is responsible for the determination of lender, school and student eligibility. The Division is also to reimburse eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission, and to establish an effective system for the collection of delinquent loans.

The Division had revenues of \$70,414,781, including \$38,650,258 from the U.S. Department of Education (USDE) for federal reinsurance payments, the majority of which represented 100% federal reinsurance, and default collections of \$22,368,293. Other revenues included federal management fees of \$3,602,648 and investment income of \$2,716,912.

Expenses for the year totaled \$70,441,893, including payments to lenders on defaulted loans of \$40,155,533, a 5% increase over the prior year, and default collections remitted to USDE of \$15,391,398. The Division reported \$1.926 billion of outstanding student loans guaranteed at June 30, 2002, an increase of 1% from the \$1.905 billion subject to guarantee at June 30, 2001.

A copy of the audit report is available for review in the office of the Auditor of State and the Iowa College Student Aid Commission office.

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**IOWA FEDERAL FAMILY EDUCATION LOAN PROGRAM DIVISION
IOWA COLLEGE STUDENT AID COMMISSION**

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2002

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**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**

Officials

<u>Name</u>	<u>Title</u>
	State
Honorable Thomas J. Vilsack	Governor
Cynthia P. Eisenhauer	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

Commission

Michelle Durand-Adams	Chairperson
Cleo F. Edwards	Vice Chairperson
Dr. John V. Hartung	Secretary
Jim Crawford	Member
Representative Cecil Dolecheck	Member
Linda M. Kennedy	Member
Dr. Becki S. Lynch	Member
Dr. Janice A. Friedel	Member
Senator Donald B. Redfern	Member
Holly L. Remsburg	Member
Gregory S. Nichols	Member
Rudolph S. Leytze	Member

Agency

Gary W. Nichols	Executive Director
Brenda Easter	Director, Special Programs
Cheryl Mather	Director, Accounting and Personnel
Tim Fitzgibbon	Director, Guarantee Agency Services

**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**



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Independent Auditor's Report

To the Members of the Iowa College
Student Aid Commission:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission, as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of the Iowa College Student Aid Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Division. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2002, and the changes in its financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund for the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of June 30, 2002, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 10 to the financial statements, for the year ended June 30, 2002, the Iowa Federal Family Education Loan Program of the Iowa College Student Aid Commission adopted Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosure; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements. The Iowa Federal Family Education

Loan Program Division of the Iowa College Student Aid Commission also changed the capital asset capitalization threshold as described in Note 3.

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2003 on our consideration of Iowa Federal Family Education Loan Program Division's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supplemental information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2003

**Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission**

Financial Statements

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Statement of Net Assets and
Governmental Funds Balance Sheet

June 30, 2002

	Special Revenue			Total	Adjustments	Statement of Net Assets
	General Fund	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund			
Assets						
Cash and investments	\$ 2,314,952	25,643,908	11,046,476	39,005,336	-	39,005,336
Cash on deposit with State Vehicle Dispatcher	-	2,005	4,600	6,605	-	6,605
Accounts receivable	274,833	483,437	2,275,341	3,033,611	-	3,033,611
Due from the federal government	-	1,938,184	621,269	2,559,453	-	2,559,453
Prepaid expenditures	-	-	2,205	2,205	-	2,205
Capital assets, net of accumulated depreciation	-	-	-	-	6,130	6,130
Total assets	2,589,785	28,067,534	13,949,891	44,607,210	6,130	44,613,340
Liabilities						
Accounts payable	2,064	48	823,351	825,463	-	825,463
Salary and benefits payable	-	-	34,796	34,796	-	34,796
Default claims payable	-	1,411,422	-	1,411,422	-	1,411,422
Due to the federal government	-	1,647,360	-	1,647,360	-	1,647,360
Long-term liabilities:						
Due within one year:						
Compensated absences	-	-	-	-	99,224	99,224
Federal recall of reserve funds	-	1,464,081	-	1,464,081	-	1,464,081
Due after one year:						
Compensated absences	-	-	-	-	66,026	66,026
Federal recall of reserve funds	-	2,842,038	-	2,842,038	-	2,842,038
Total liabilities	2,064	7,364,949	858,147	8,225,160	165,250	8,390,410
Fund balances/Net assets						
Fund balances:						
Unreserved, designated for the Iowa Federal Family Education Loan Program	2,587,721	20,702,585	13,091,744	36,382,050	(36,382,050)	-
Total liabilities and fund balances	\$ 2,589,785	28,067,534	13,949,891	44,607,210		
Net assets:						
Invested in capital assets, net of related debt					6,130	6,130
Unrestricted					36,216,800	36,216,800
Total net assets					\$ 36,222,930	36,222,930

See notes to financial statements.

Exhibit B

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Statement of Activities and
Statement of Revenues, Expenditures
and Changes in Fund Balances

Year ended June 30, 2002

	Special Revenue			Total	Adjustments	Statement of Activities
	General Fund	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund			
Revenues:						
Federal management fees	\$ -	-	3,602,648	3,602,648	-	3,602,648
Federal reinsurance payments	-	38,650,258	-	38,650,258	-	38,650,258
Partnership loan program income	-	-	120,876	120,876	-	120,876
Investment income	1,230,878	1,079,329	406,705	2,716,912	-	2,716,912
Default collections	-	19,469,209	2,899,084	22,368,293	-	22,368,293
Overpayments and repurchases	-	2,700,503	-	2,700,503	-	2,700,503
Other	-	961	254,330	255,291	-	255,291
Total revenues	<u>1,230,878</u>	<u>61,900,260</u>	<u>7,283,643</u>	<u>70,414,781</u>	-	<u>70,414,781</u>
Expenditures/expenses:						
Federal Family Education Loan Program administration	-	-	5,601,149	5,601,149	19,139	5,620,288
Default collections remitted to USDE	-	15,391,398	-	15,391,398	-	15,391,398
Collection expenses	-	-	3,631,572	3,631,572	-	3,631,572
Payments on defaulted loans	-	40,155,533	-	40,155,533	-	40,155,533
Tuition grants for foster children	63,390	-	-	63,390	-	63,390
Tuition grants for students affected by the Iowa farm crisis	962,524	-	-	962,524	-	-
Recall of Federal reserve	-	4,306,119	-	4,306,119	-	4,306,119
Depreciation expense	-	-	-	-	6,363	6,363
Other	-	173,263	131,443	304,706	-	304,706
Total expenditures/expenses	<u>1,025,914</u>	<u>60,026,313</u>	<u>9,364,164</u>	<u>70,416,391</u>	<u>25,502</u>	<u>69,479,369</u>
Excess (deficiency) of revenues over (under) expenditures/change in net assets	204,964	1,873,947	(2,080,521)	(1,610)	(25,502)	-
Other financing uses:						
Transfer to Treasurer of State Federal Recall Account	-	(6,030,333)	-	(6,030,333)	6,030,333	-
Excess (deficiency) of revenues over (under) expenditures and other financing uses	204,964	(4,156,386)	(2,080,521)	(6,031,943)	6,004,831	(27,112)
Fund balances/net assets beginning of year, as restated (note 11)	<u>2,382,757</u>	<u>24,858,971</u>	<u>15,172,265</u>	<u>42,413,993</u>	<u>(6,163,951)</u>	<u>36,250,042</u>
Fund balances/net assets end of year	<u>\$ 2,587,721</u>	<u>20,702,585</u>	<u>13,091,744</u>	<u>36,382,050</u>	<u>(159,120)</u>	<u>36,222,930</u>

See notes to financial statements.

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Notes to Financial Statements

June 30, 2002

(1) Summary of Significant Accounting Policies

The Iowa Federal Family Education Loan Program Division (Division) of the Iowa College Student Aid Commission (Commission), an agency of the State of Iowa, was established under Chapter 261 of the Code of Iowa to guarantee loans made by eligible lenders to eligible students and to administer the program. It was formerly referred to as the Iowa Guarantee Student Loan Division and is attached to the Iowa Department of Education for organizational purposes.

Organization of the Commission provides for a membership of twelve commissioners, including representatives of the Board of Regents, the Iowa Department of Education, private educational and banking institutions, Community Colleges, the Iowa Student Loan Liquidity Corporation, each house of the State Legislature, the general public and a student representative. The Governor appoints eight members, including one to represent each of the following areas: the private institutions, the Iowa Student Loan Liquidity Corporation, Community Colleges, Iowa lending institutions, and Iowa post-secondary students; and three to represent the general public. The legislative representatives are non-voting members of the Commission.

The Division is responsible for the determination of lender, school and student eligibility. It is responsible for the collection of insurance premiums of not more than three percent of the principal amount of any Stafford, PLUS or SLS loans guaranteed. Such premiums collected by the lender upon disbursement of the loan are to be promptly remitted to the Division. The Division contracts the services of USA Education, Inc. ("Sallie Mae.") for the collection of these premiums.

The Division is also responsible for reimbursement to eligible lenders for principal and accrued interest on defaulted loans guaranteed by the Commission and to establish an effective system for the collection of delinquent loans.

The financial statements of the Iowa Federal Family Education Loan Program Division have been prepared in conformity with U.S. generally accepted accounting principles as applied to governmental units. The more significant of the Division's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the Iowa Federal Family Education Loan Program Division has included all funds, organizations, agencies, boards, commissions, and authorities. The Division has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Division are such that exclusion would cause the Division's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria included appointing a voting majority of an organization's governing body and (1) the ability of the Division to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Division. The Iowa Federal Family Education Loan Program Division has no component units which meet the Governmental Accounting Standards Board criteria.

B. Government-wide and Fund Financial Statements

The financial statements on pages 9 and 10 combine both a government-wide perspective and a governmental fund perspective.

The General, Federal Student Loan Reserve and Guaranty Agency Operating Funds comprise the Division's major governmental funds. The difference between assets and liabilities of the funds are referred to as "fund balance".

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the Division. Governmental activities are those which normally are supported by intergovernmental revenues.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the "economic resources measurement focus" and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the "current financial resources measurement focus" and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Division considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Contributions, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

D. Cash and Cash Equivalents

The cash balances of most State Agency Funds are pooled and invested by the Treasurer of State.

E. Capital Assets

Capital assets are defined by the Division as assets with individual costs in excess of \$5,000. Such assets are recorded at historical cost. Donated assets are valued at their estimated fair value on the date donated. Depreciation of all exhaustible assets is charged as an expense against operations. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Capital assets are depreciated over a four-year life.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

F. Due to Federal Government

Due to federal government represents the amount owed to the U.S. Department of Education for collection on loans that are in default.

G. Compensated Absences

A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. State employees accrue vacation, sick and compensatory leave at rates specified in the Code of Iowa and/or collective bargaining agreements. Accumulated unused vacation leave is payable upon termination of employment. Accumulated unused sick leave is payable only upon retirement and only to limits specified in the Code of Iowa and/or collective bargaining agreements. The liabilities for compensated absences are based on rates of pay in effect at June 30, 2002.

H. Fund Balance

The unreserved fund balance designated for the Iowa Federal Family Education Loan Program represents the amount available for actual payment of claims for defaulted loans and administration.

(2) Deposits and Investments

The Division's deposits with the Office of Treasurer of State throughout the year and at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds. All interest income on money invested in the investment pool is retained in the fund holding the cash balance. Interest earned for the year ended June 30, 2002 totaled \$2,716,912.

(3) Capital Assets

A summary of capital asset activity for the year ended June 30, 2002 is as follows:

	Balance Beginning of the year	Adjustments	Balance Beginning of Year (as restated)	Increases	Decreases	Balance End of Year
Equipment	\$ 355,847	(243,075)	112,772	-	-	112,772
Vehicles	11,025	-	11,025	-	-	11,025
Less: accumulated depreciation	-	(111,304)	(111,304)	(6,363)	-	(117,667)
Total	\$ 366,872	(354,379)	12,493	(6,363)	-	6,130

The beginning balances for capital assets were restated to comply with the new State of Iowa capitalization policy for capital assets.

(4) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2002 is as follows:

	Compensated Absences	Federal Recall of Federal Funds	Total
Balance beginning of year	\$ 146,111	6,030,333	6,176,444
Increase	120,008	4,306,119	4,426,127
Decrease	100,869	6,030,333	6,131,202
Balance end of year	\$ 165,250	4,306,119	4,471,369

Federal Recall of Reserve Funds – Section 422 of the Higher Education Act of 1965, as amended, requires the recall of reserve funds held by guaranty agencies based on a formula of reserve funds held by guaranty agencies as of September 30, 1996. The Iowa Federal Family Education Loan Program Division was required, starting with federal fiscal year 1998, to set aside approximately \$6 million per year through 2002, totaling \$30,151,666, that will be returned to the United States Treasury. A restricted account with the Treasurer of State has been established to maintain the amounts set aside each year for the recall as stipulated by authorizing legislation. As of June 30, 2002, \$30,151,666 has been transferred to the Treasurer of State as required. For fiscal year 2002, an additional recall was required by the Higher Education Act of 1965. The Division's share of the additional recall is \$4,306,119. The Division will make three payments, with the first payment of \$1,464,081 due on September 1, 2002 and two payments of \$1,421,019 each due in fiscal years 2006 and 2007.

(5) Operating Lease

The Iowa College Student Aid Commission has leased office space at 200 - 10th Street in Des Moines. The lease has been classified as an operating lease and, accordingly, all rent is charged to expense as incurred. The lease expires on November 30, 2005.

The following is a schedule, by year, of future minimum rental payments required under the operating lease, which has a remaining non-cancelable lease-term in excess of one year as of June 30, 2002:

Year Ending June 30,	
2003	\$ 96,330
2004	101,220
2005	106,050
2006	45,000
Total	<u>\$ 348,600</u>

Rental expense for all operating leases totaled \$94,276 for the year ended June 30, 2002.

(6) Pension and Retirement Benefits

The Division contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Division is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Division's contributions to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$69,571, \$62,096, and \$63,807, respectively, equal to the required contributions for each year.

(7) Commitments and Contingencies

Loan Guarantees – The Division guarantees loans made to students. The U.S. Department of Education (USDE) reinsures the student loans up to 100% of their principal amounts based on the Division's annual default rate. On loans made on or after October 1, 1993,

the reinsurance percentage was reduced to 98% in accordance with the Omnibus Budget Reconciliation Act of 1993. At June 30, 2002, the Division was guarantor of \$1.926 billion in student loans, substantially all of which were reinsured by the USDE at the 100% rate. The state has no obligation under these student loan guarantees in the event of default.

Federal Agreements – Federal revenues are generally subject to review and audit by grantor agencies or their designees. Such audits could lead to a request for reimbursement to the federal agencies for expenditures disallowed under terms of the agreements or the assessment of informal fines. The Division recognizes material disallowances when the loss becomes probable and reasonably estimable. As of June 30, 2002, the Division estimates that any disallowances of recognized revenues would not be material to the financial statements.

(8) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years.

The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts. A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to State property (casualty losses).

(9) Explanation of Certain Differences between the Governmental Funds Balance Sheet and the Statement of Net Assets

The differences include long-term liabilities for compensated absences and capital assets, net of accumulated depreciation, which are not included on the governmental funds balance sheet, but are included on the statement of net assets.

Capital assets net of accumulated depreciation	\$ 6,130
Compensated absences	<u>(165,250)</u>
Total	<u>\$ (159,120)</u>

(10) Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities

The differences include the increase in compensated absences payable and the depreciation expense for capital assets which are not included on the statement of revenues, expenditures and changes in fund balance but are included on the statement of activities.

Increase in compensated absences	\$ 19,139
Depreciation expense	<u>6,363</u>
Total	<u>\$ 25,502</u>

(11) Accounting Change

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Statement No. 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus and Statement No. 38, Certain Financial Statement Note Disclosures were implemented during the year ended June 30, 2002. The statements create new basic financial statements for reporting the Division's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type.

The government-wide financial statements report the Division's governmental activities. Beginning net assets for governmental activities have been restated to include capital assets and the changes in assets and liabilities at July 1, 2001 resulting from the conversion to the accrual basis of accounting, as follows:

	<u>Amount</u>
Net assets, June 30, 2001, as previously reported	\$ 42,413,993
GASB 34 adjustments:	
Capital assets, net of accumulated depreciation of \$111,304	12,493
Change in long-term liabilities	<u>(6,176,444)</u>
Net assets, July 1, 2001, as restated	<u>\$ 36,250,042</u>

Supplemental Information

Schedule 1

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

Expenditures by Object

General and Special Revenue Funds

Year ended June 30, 2002

	Special Revenue			Total
	General Fund	Federal Student Loan Reserve Fund	Guarantee Agency Operating Fund	
Federal Family Education Loan Program administration:				
Personal services	\$ -	-	1,545,210	1,545,210
Travel	-	-	7,548	7,548
Supplies and materials	-	-	78,888	78,888
Contractual services	-	-	3,929,820	3,929,820
Equipment	-	-	33,003	33,003
Other	-	-	6,680	6,680
Subtotal	-	-	5,601,149	5,601,149
Default collections remitted to USDE	-	15,391,398	-	15,391,398
Collection expenses	-	-	3,631,572	3,631,572
Payments on defaulted loans	-	40,155,533	-	40,155,533
Tuition grants for foster children	63,390	-	-	63,390
Tuition grants for students affected by the Iowa farm crisis	962,524	-	-	962,524
Recall of Federal reserve	-	4,306,119	-	4,306,119
Other	-	173,263	131,443	304,706
Total expenditures	\$ 1,025,914	60,026,313	9,364,164	70,416,391

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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

Independent Auditor's Report on Compliance and on
Internal Control Over Financial Reporting

To the Members of the Iowa College
Student Aid Commission:

We have audited the financial statements of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of and for the year ended June 30, 2002, and have issued our report thereon dated February 13, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Iowa Federal Family Education Loan Program Division's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance 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 no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Federal Family Education Loan Program Division's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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 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 Iowa College Student Aid Commission during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

February 13, 2003

Iowa Federal Family Education Loan Program Division
Iowa College Student Aid Commission

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