



**OFFICE OF AUDITOR OF STATE
STATE OF IOWA**

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NEWS RELEASE

FOR RELEASE

October 3, 2016

Contact: Andy Nielsen
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Auditor of State Mary Mosiman today released a report on the Iowa College Student Aid Commission for the year ended June 30, 2015.

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 establish policies and procedures to ensure student eligibility for GEAR-UP scholarship funds has been met and establish procedures to track the reasonableness of loan payments received from a third party collection agency and reconcile the outstanding loan balance. 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 <https://auditor.iowa.gov/reports/1660-2840-0R00>.

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

JUNE 30, 2015

Iowa College Student Aid Commission



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September 19, 2016

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, 2015.

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 Single Audit Report as well as a finding 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 6 and they are available to discuss these matters with you.

Mary Mosiman
MARY MOSIMAN, CPA
Auditor of State

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

June 30, 2015

Finding Reported in the State's Single Audit Report:

CFDA Number: 84.334 – Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP)

Agency Number: P334S080012, P334S140011

Federal Award Year: 2014, 2015

**State of Iowa Single Audit Report Comment: 15-III-USDE-284-2
(2015-009)**

Student Eligibility for Scholarship Component – The GEAR-UP program provides multi-year grants (6 or 7 years) to States to provide support and maintain a commitment to students attending certain low income school districts to help these students obtain a secondary school diploma and to prepare them for, and succeed in, postsecondary education. As part of the 2007 GEAR-UP award, the Commission selected a group of students for the Iowa cohort (group). During fiscal year 2014 and fiscal year 2015, the Iowa cohort became eligible for postsecondary scholarship funding. The U.S. Code Title 20, Section 1070a-25 identifies eligibility requirements for students receiving GEAR-UP scholarship funds for postsecondary education.

In determining eligibility for GEAR-UP scholarship funds, the Commission matches students who are included in the Iowa cohort with completed Free Application for Federal Student Aid (FAFSA)s. The Commission notifies applicable students and the postsecondary school identified on the FAFSA the student may be eligible for scholarship funds. The postsecondary school is responsible for verifying the applicable students' eligibility requirements for the required enrollment level and award amount before requesting GEAR-UP scholarship funds from the Commission. The Commission awards the scholarship funds to the postsecondary school when it receives a payment certification form signed by a school official at the beginning of the school semester.

While the Commission validates certain scholarship eligibility criteria through its reporting systems, the Commission has not established procedures to ensure students have met certain enrollment levels required to be eligible for GEAR-UP scholarship funds. As a result, postsecondary schools may be awarded GEAR-UP scholarship funds for ineligible students.

Recommendation – The Commission should establish policies and procedures to ensure student eligibility for GEAR-UP scholarship funds has been met.

Response and Corrective Action Planned – The Commission will establish risk assessment policies and develop procedures to verify recipient enrollment levels and calculated award amounts reported by schools.

Conclusion – Response accepted.

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

No matters were noted.

June 30, 2015

Other Finding Related to Internal Control:

Partnership Loan Program – The Commission contracts with a third party collection agency to collect certain nongovernmental delinquent student loans (Private Partnership Loan Program (PLP) Student Loans). On June 30, 2015, the outstanding principal and interest balance on these loans totaled approximately \$15.4 million of which \$13.7 million was considered uncollectable. The Commission receives weekly wire transfers for collections received. It also receives a monthly Inventory Status Report and Aging Report from the collection agency. During fiscal year ended June 30, 2015, the Commission received approximately \$241,000 on these loans prior to paying the collection agency fee. However, the Commission has no procedures in place to track the reasonableness of loan collections from the third party collection agency or to reconcile changes to the outstanding loan balance.

Recommendation – The Commission should establish procedures to track the reasonableness of loan payments received from the third party collection agency and reconcile monthly collection activity to the outstanding loan balance.

Response – These loans were in default status when we purchased them twelve to fifteen years ago. We do perform a reconciliation which ensures we receive all our monies verified by date of collection and only reimburse the third party collection agency the collection fee allowed on the monies we received. The third party collection agency does not have a report that discloses how much interest was accrued on each loan monthly. We are currently working on a process to reconcile the PLP portfolio with the collection vendor.

Iowa College Aid solicited vendors to purchase the PLP portfolio within the last year and did not receive any offers. Based on the age and the collectability of the portfolio, the Commission voted to no longer accrue interest on this portfolio starting July 1, 2016.

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, 2015

Staff:

Questions or requests for further assistance should be directed to:

Suzanne R. Dahlstrom, 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, CPA, Staff Auditor
Ryan P. Swanson, CPA, Staff Auditor
Carolina M. Chavez, Assistant Auditor
Lucas P. Mullen, Assistant Auditor
Mallory A. Sims, Assistant Auditor