



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

NEWS RELEASE

FOR RELEASE

July 29, 2005

Contact: Andy Nielsen
515/281-5834

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, for the year ended June 30, 2004.

The Division was established to guarantee 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 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 Division had revenues of \$56,802,926 during the year, including \$30,151,915 from the U.S. Department of Education (USDE) for federal reinsurance payments, the majority of which represented 100% federal reinsurance, and default collections of \$20,418,998. Other revenues included federal management fees of \$3,764,447 and interest income of \$450,876.

Expenses for the year totaled \$52,996,294, including payments to lenders on defaulted loans of \$30,058,580, a 5% decrease from the prior year, and default collections remitted to USDE of \$7,648,630. The Division reported \$2.095 billion of outstanding student loans guaranteed at June 30, 2004, an increase of 7% from the \$1.958 billion subject to guarantee at June 30, 2003.

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

###

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

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2004

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Basic Financial Statements:	<u>Exhibit</u>	
Governmental Funds Balance Sheet and Statement of Net Assets	A	8
Statement of Revenues, Expenditures and		
Changes in Fund Balances and Statement of Activities	B	9
Notes to Financial Statements		10-14
Supplementary Information:	<u>Schedule</u>	
Expenditures by Object – General and Special Revenue Funds	1	16
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		17
Staff		18

**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
Michael L. Tramontina	Director, Department of Management
Dennis C. Prouty	Director, Legislative Services Agency

Commission

Michelle Durand-Adams	Chairperson
Jim Crawford	Vice Chairperson
Dr. John V. Hartung	Secretary
Representative Cecil Dolecheck	Member
Janet L. Adams	Member
Dr. Becki S. Lynch	Member
Dr. Janice A. Friedel	Member
Senator Herman C. Quirnbach	Member
Gregory S. Nichols	Member
Rudolph S. Leytze	Member
Linda M. Kennedy	Member
Travis K. Knoop	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**



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

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, 2004, which collectively comprise the Division's basic financial statements 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 opinions 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 our audit provides a reasonable basis for our opinions.

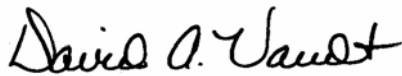
As discussed in Note 1, the financial statements of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that 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, 2004, and the changes in its financial position 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 of the Iowa Federal Family Education Loan Program Division of the Iowa College Student Aid Commission as of June 30, 2004, and the respective changes in financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 31, 2005 on our consideration of the 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.

The Division has not presented Management's Discussion and Analysis which introduces the basic financial statements by presenting certain financial information as well as management's analytical insights on information the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the Division's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 31, 2005

Basic Financial Statements

Exhibit A

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

Governmental Funds Balance Sheet
and Statement of Net Assets

June 30, 2004

	Special Revenue			Total	Adjustments	Statement of Net Assets
	General Fund	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund			
Assets						
Cash and investments	\$ 2,559,953	22,907,845	14,823,929	40,291,727	-	40,291,727
Cash on deposit with State Vehicle Dispatcher	-	-	12,126	12,126	-	12,126
Accounts receivable	-	506,639	4,292,388	4,799,027	-	4,799,027
Interest receivable	11,323	109,233	73,625	194,181	-	194,181
Due from other funds	-	-	708,666	708,666	(708,666)	-
Due from the federal government	-	1,323,100	650,192	1,973,292	-	1,973,292
Prepaid expenditures/expenses	-	321,149	-	321,149	-	321,149
Capital assets, net of accumulated depreciation	-	-	-	-	16,809	16,809
Total assets	\$ 2,571,276	25,167,966	20,560,926	48,300,168	(691,857)	47,608,311
Liabilities						
Accounts payable	\$ 11,293	8,785	946,222	966,300	-	966,300
Due to the federal government	-	1,210,848	-	1,210,848	-	1,210,848
Due to the Operating Fund	-	708,666	-	708,666	(708,666)	-
Long-term liabilities:						
Due within one year:						
Compensated absences	-	-	-	-	121,249	121,249
Due after one year:						
Compensated absences	-	-	-	-	71,153	71,153
Federal recall of reserve funds	-	-	-	-	2,842,038	2,842,038
Total liabilities	11,293	1,928,299	946,222	2,885,814	2,325,774	5,211,588
Fund balances/Net assets						
Fund balances:						
Unreserved, designated for the Iowa Federal Family Education Loan Program	2,559,983	23,239,667	19,614,704	45,414,354	(45,414,354)	-
Total liabilities and fund balances	\$ 2,571,276	25,167,966	20,560,926	48,300,168		
Net assets:						
Invested in capital assets, net of related debt					16,809	16,809
Unrestricted					42,379,914	42,379,914
Total net assets					\$ 42,396,723	42,396,723

See notes to financial statements.

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

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

Year ended June 30, 2004

	Special Revenue			Total	Adjustments	Statement of Activities
	General Fund	Federal Student Loan Reserve Fund	Guaranty Agency Operating Fund			
Revenues:						
Federal management fees	\$ -	-	3,764,447	3,764,447	-	3,764,447
Federal reinsurance payments	-	30,151,915	-	30,151,915	-	30,151,915
Default aversion fees	-	-	952,395	952,395	(952,395)	-
Default aversion rebates	-	294,593	-	294,593	(294,593)	-
Partnership loan program income	-	-	212,547	212,547	-	212,547
Interest income	27,475	262,792	160,609	450,876	-	450,876
Default collections	-	17,077,644	3,341,354	20,418,998	-	20,418,998
Overpayments and repurchases	-	1,543,997	-	1,543,997	-	1,543,997
Fees and recoveries allocated to Operating Fund	-	-	4,039,817	4,039,817	(4,039,817)	-
Other	52,207	-	207,939	260,146	-	260,146
Total revenues	79,682	49,330,941	12,679,108	62,089,731	(5,286,805)	56,802,926
Expenditures/expenses:						
Federal Family Education Loan Program administration	-	-	6,539,234	6,539,234	(77)	6,539,157
Default collections remitted to USDE	-	7,648,630	-	7,648,630	-	7,648,630
Collection expenses	-	-	3,295,010	3,295,010	-	3,295,010
Payments on defaulted loans	-	30,058,580	-	30,058,580	-	30,058,580
Tuition grants for foster children	39,661	-	-	39,661	-	39,661
Tuition grants for student assistanceships	199,422	-	-	199,422	-	199,422
Default aversion fees	-	952,395	-	952,395	(952,395)	-
Default aversion rebates	-	-	294,593	294,593	(294,593)	-
Payment for refunds and rehabbed loans	-	5,098,318	-	5,098,318	-	5,098,318
Fees and recoveries allocated to Operating Fund	-	4,039,817	-	4,039,817	(4,039,817)	-
Depreciation expense	-	-	-	-	7,419	7,419
Other	-	4,387	105,710	110,097	-	110,097
Total expenditures/expenses	239,083	47,802,127	10,234,547	58,275,757	(5,279,463)	52,996,294
Excess (deficiency) of revenues over (under) expenditures/change in net assets	(159,401)	1,528,814	2,444,561	3,813,974	(7,342)	3,806,632
Fund balances/net assets beginning of year	2,719,384	21,710,853	17,170,143	41,600,380	(3,010,289)	38,590,091
Fund balances/net assets end of year	\$ 2,559,983	23,239,667	19,614,704	45,414,354	(3,017,631)	42,396,723

See notes to financial statements.

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

Notes to Financial Statements

June 30, 2004

(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 three to represent the general public and 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. The two 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 prescribed by the Governmental Accounting Standards Board.

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 include 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. Entity-wide and Fund Financial Statements

The financial statements on pages 8 and 9 combine both an entity-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. Basis of Accounting and Measurement Focus

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The entity-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, expenditures related to compensated absences are recorded only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds.

D. Cash and Cash Equivalents

The cash balances of the Division's Funds are pooled and invested by the Treasurer of State.

E. Capital Assets

Capital assets, which include equipment with individual costs in excess of \$5,000, 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 entity-wide Statement of Activities reports depreciation expense.

The cost of normal maintenance and repair 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 in default.

G. Compensated Absences

A liability is recorded when incurred in the entity-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees who 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, 2004.

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 Treasurer of State throughout the year and at June 30, 2004 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. Interest income from the investment pool is credited to the fund holding the cash balance. Interest earned for the year ended June 30, 2004 totaled \$450,876.

(3) Capital Assets

A summary of capital asset activity for the year ended June 30, 2004 is as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Equipment	\$ 130,419	-	-	130,419
Vehicles	11,025	-	-	11,025
Less: accumulated depreciation	(117,216)	(7,419)	-	(124,635)
Total	\$ 24,228	(7,419)	-	16,809

(4) Changes in Long-Term Liabilities

A summary of changes in long-term liabilities for the year ended June 30, 2004 is as follows:

	Compensated Absences	Federal Recall of Reserve Funds	Total
Balance beginning of year	\$ 192,479	2,842,038	3,034,517
Increase	156,449	-	156,449
Decrease	156,526	-	156,526
Balance end of year	\$ 192,402	2,842,038	3,034,440
Due within one year	\$ 121,249	-	121,249

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, to 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, 2004, \$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 made the first payment of \$1,464,081 on September 1, 2002. Two additional payments of \$1,421,019 each are due in fiscal years 2006 and 2007.

(5) Operating Leases

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 Commission has leased various desktop computers and laser jet printers. These leases have been classified as operating leases and, accordingly, all rents are charged to expense as incurred. These leases expire on August 31, 2005.

The following is a schedule, by year, of future minimum rental payments required under the operating leases which have a remaining non-cancelable lease term in excess of one year as of June 30, 2004:

Year Ending June 30,	Office	Computers	Total
2005	\$ 106,050	27,117	133,167
2006	45,000	4,520	49,520
Total	\$ 151,050	31,637	182,687

Rental expense for all operating leases totaled \$128,337 for the year ended June 30, 2004.

(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 for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The Division's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$83,452, \$76,015 and \$69,571, 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, 2004, the Division was guarantor of \$2.095 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, 2004, the Division estimates 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 the federal recall reserve 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	\$ 16,809
Federal recall reserve	(2,842,038)
Compensated absences	<u>(192,402)</u>
Total	<u>\$ (3,017,631)</u>

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

The differences include the decrease in compensated absences payable and depreciation expense for capital assets which are not included on the Statement of Revenues, Expenditures and Changes in Fund Balances but are included on the Statement of Activities.

Decrease in compensated absences	\$ (77)
Depreciation expense	<u>7,419</u>
Total	<u>\$ 7,342</u>

Supplementary 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, 2004

	Special Revenue			Total
	General Fund	Federal Student Loan Reserve Fund	Guarantee Agency Operating Fund	
Federal Family Education Loan Program administration:				
Personal services	\$ -	-	1,896,152	1,896,152
Travel	-	-	34,514	34,514
Supplies and materials	-	-	110,678	110,678
Contractual services	-	-	4,443,803	4,443,803
Equipment	-	-	37,783	37,783
Other	-	-	16,304	16,304
Subtotal	-	-	6,539,234	6,539,234
Default collections remitted to USDE	-	7,648,630	-	7,648,630
Collection expenses	-	-	3,295,010	3,295,010
Payments on defaulted loans	-	30,058,580	-	30,058,580
Tuition grants for foster children	39,661	-	-	39,661
Tuition grants for student assistanceships	199,422	-	-	199,422
Default aversion fees	-	952,395	-	952,395
Default aversion rebates	-	-	294,593	294,593
Payments for refunds and rehabbed loans	-	5,098,318	-	5,098,318
Fees and recoveries allocated to				
Operating Fund	-	4,039,817	-	4,039,817
Other	-	4,387	105,710	110,097
Total expenditures	\$ 239,083	47,802,127	10,234,547	58,275,757

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, 2004, and have issued our report thereon dated January 31, 2005. 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 the 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

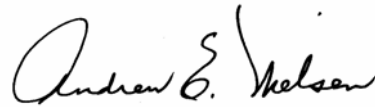
January 31, 2005

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

Staff

This audit was performed by:

Pamela J. Bormann, CPA, Manager
Steven O. Fuqua, CPA, Senior Auditor
Stephanie A. Bernard, Staff Auditor
Jessica L. Christensen, Assistant Auditor
Brandon J. Yuska, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State