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NEWS RELEASE

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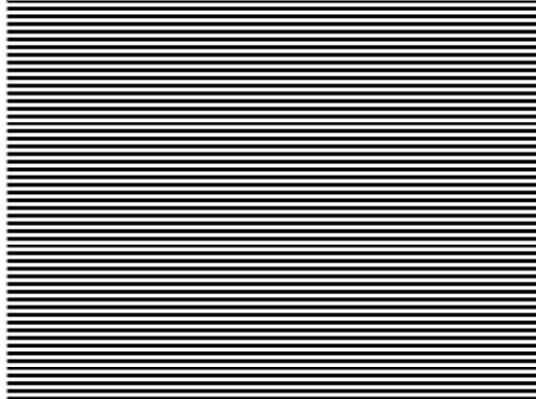
Auditor of State David A. Vaudt today released a report on the Iowa College Student Aid Commission for the year ended June 30, 2007.

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.

Vaudt recommended the Commission improve controls over lender monitoring, verification procedures and collections on delinquent loans for certain loan programs. The Commission responded that 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/reports.htm>.

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

JUNE 30, 2007

Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



David A. Vaudt, CPA
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June 30, 2008

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, 2007.

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 reported in the State's Single Audit Report as well as other recommendations pertaining 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.

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.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

cc: Honorable Chester J. Culver, Governor
Charles J. Krogmeier, Director, Department of Management
Dennis C. Prouty, Director, Legislative Services Agency

June 30, 2007

Finding Reported in the State's Single Audit Report:

CFDA Number: 84.032 – Federal Family Education Loans

Agency Number: None

Federal Award Year: 2007

State of Iowa Single Audit Report Comment: 07-III-USDE-284-2

Lender Monitoring – The Code of Federal Regulations, 34 CFR 682.410, requires the Commission to conduct a comprehensive biennial on-site program review of its largest lending institutions. The Commission contracted with an independent audit firm in 2003 and 2005 to perform these reviews. However, the independent audit firm did not use the correct audit guide and did not perform on-site program reviews. As a result, the U.S. Department of Education is requiring the Commission to reperform the 2003 and 2005 lender reviews. The Commission is currently in the process of reperforming these reviews, but none of the reviews have been completed as of June 30, 2007.

Recommendation – The Commission should continue reperforming the 2003 and 2005 program reviews and ensure all future lender reviews are conducted in accordance with 34 CFR 682.410.

Response – The Commission terminated the Lender and School Review contract with the independent audit firm and has moved this responsibility in-house with the hiring of a staff member to conduct the required reviews. We anticipate the 2003 and 2005 biennial reviews for the required lenders will be completed by end of summer 2008 with eight of thirteen on-site reviews conducted to-date.

Conclusion – Response accepted.

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

No matters were noted.

Other Findings Related to Internal Control:

- (1) Byrd Scholarship Enrollment Verification – Procedures for administering the Robert C. Byrd Scholarships require the Commission to verify the enrollment status of the recipients. The enrollment verification letters were not retained for scholarship recipients tested.

Recommendation – The Commission should ensure enrollment verification documentation is obtained and retained.

Response – For the 2006-07 academic year, the Program Administration Division sent enrollment verification forms to colleges with Byrd Scholarship checks. Colleges were to return the enrollment verification forms by September 2006. Colleges that did not submit the enrollment verification forms were contacted regularly to follow up on the verification forms. Enrollment verification forms were kept in each college's file at the Commission. The files which contained signed Byrd Scholarship enrollment verification forms were destroyed in late fall of 2006.

Report of Recommendations to the Iowa College Student Aid Commission

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Commission staff realized the enrollment verification forms should be received prior to checks being mailed to the colleges and put new procedures in place for the 2007-08 academic year. Colleges and universities are now required to certify enrollment for each student recipient before the student's scholarship funds are sent to the respective college. Each enrollment verification form is now attached to the college payment request form to ensure documentation is maintained.

Conclusion – Response accepted.

- (2) Written Procedures for Collection on Forgivable Loans – The Commission administers the Teacher Forgivable Loan program and the Chiropractic Forgivable Loan program, which was discontinued during fiscal year 2003. Both programs require the repayment of loan funds from borrowers who do not meet the criteria for forgiveness of the loan. Of the loans not meeting the requirements for forgiveness and in repayment status, the Teacher Forgivable Loan program had 69 borrowers and the Chiropractic Forgivable Loan program had 5 borrowers in default at June 30, 2007. The Commission has not developed written policies and procedures for collection efforts on delinquent forgivable loans.

Recommendation – The Commission should develop written policies and procedures for collection efforts on delinquent loans.

Response – The Program Administration Division is currently working with Borrower Services to move collection activity for defaulted loans to Borrower Services. Borrower Services will develop policies and procedures for the collection of loans under the forgivable loan programs administered by the Commission.

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, 2007

Staff:

Questions or requests for further assistance should be directed to:

Michelle Meyer, CPA, Manager
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Andrew E. Nielsen, CPA, Deputy Auditor of State

Other individuals who participated on the audits include:

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Sharon K. Stickrod, Staff Auditor
Jessica N. Meierotto, Assistant Auditor
Jennifer M. Podrebarac, Assistant Auditor