



**UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF INSPECTOR GENERAL**

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August 22, 2005

Control Number ED-OIG/A05F0016

Mr. Tom A. Breyer  
Interim Director  
Illinois Designated Account Purchase Program  
1755 Lake Cook Road  
Deerfield, Illinois 60015

Dear Mr. Breyer:

The purpose of this letter is to notify you that we are terminating our audit of the Illinois Designated Account Purchase Program's (IDAPP's) compliance with requirements for the Federal Family Education Loan Program (FFELP). The objective of our audit was to determine if IDAPP complied with 34 C.F.R. §§ 682.209 and 682.411 for conversion of a FFELP loan to repayment status and due diligence in the collection of FFELP loans. Our audit covered the period January 1, 2005, through March 31, 2005. We have terminated our audit because we did not identify any reportable instances of noncompliance with 34 C.F.R. §§ 682.209 and 682.411.

**Methodology**

To meet our objective, we

1. Reviewed the OMB Circular A-133 audit report for IDAPP, prepared by an independent public accountant for the years ended June 30, 2002 and 2003, and reviewed the supporting audit documentation for the year ended June 30, 2003.
2. Reviewed written policies and procedures and interviewed IDAPP officials to obtain an understanding of the processes IDAPP used to provide reasonable assurance of compliance with the FFELP loan conversion and collection due diligence requirements and used this review to identify data we needed to test compliance with the program requirements.
3. Identified the universe of defaulted FFELP loan claims (340) for which IDAPP received reimbursement and IDAPP's guarantee agency, Illinois Student Assistance Commission, received reinsurance during the period January 1, 2005, to March 31, 2005.

4. Assessed the reliability of computer-processed data by (1) gaining a limited understanding of IDAPP's computer system controls; (2) reviewing and relying in part upon a NELNET Corporation SAS 70 report, prepared by an independent public accountant and entitled *Student Loan Servicing System (Nservice) and Loan Generation System (Ngenius) Service Auditor's Report on Controls Placed in Operation and Tests of Operating Effectiveness*, for the period January 1, 2004, through November 30, 2004;<sup>1</sup> (3) reviewing and relying in part upon a National Student Clearinghouse audit report prepared by an independent public accountant for the year ended June 30, 2004;<sup>1</sup> and (4) testing selected loan data for (a) missing data, (b) the relationship of one data element to another, (c) values outside of designated ranges, and (d) dates outside of valid timeframes.
5. Tested a randomly selected probe sample of 30 defaulted FFELP loan claims from the universe of 340 claims to determine if IDAPP converted the loans to repayment in accordance with 34 C.F.R. § 682.209 and performed at least the minimum loan collection due diligence activities set forth in 34 C.F.R. § 682.411.
6. Observed IDAPP personnel making and receiving loan collection due diligence telephone calls and discussing the loan collection due diligence activities.
7. Discussed staffing levels and workload with IDAPP officials and analyzed their responses to determine if staffing was sufficient given the size of IDAPP's portfolio.

We conducted our field work between May 23, 2005, and July 15, 2005, at IDAPP's office in Deerfield, Illinois. We performed our work in accordance with generally accepted government auditing standards appropriate to the scope of our audit.

### **Administrative Matters**

Our review was limited to the work described above and would not necessarily disclose all material weaknesses in IDAPP's administration of the FFELP. Accordingly, the contents of this letter should not be construed as acceptance or approval of IDAPP's administration of the FFELP. The termination of this audit does not preclude further reviews of this or similar areas by the Office of Inspector General, nor does it preclude the U.S. Department of Education from taking further action concerning any aspect of IDAPP's administration of the FFELP. The work we performed is not a substitute for any other reviews or audits required by law, license, or accreditation.

In accordance with the Freedom of Information Act (5 U.S.C. § 552), reports and other documents issued by the Office of Inspector General are available to members of the press and general public to the extent information contained therein is not subject to exemptions in the Act.

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<sup>1</sup> We did not review the supporting audit documentation or determine the quality of the work performed for this report.

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We wish to express appreciation for the cooperation and assistance extended by your staff during the audit. Should you have any further questions regarding this review, please contact Darryl Meador at (816) 268-0513 or Robert Swedberg at (312) 886-8656. No response to this letter is required.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Dowd', with several loops and flourishes.

Richard J. Dowd  
Regional Inspector General  
for Audit

cc: Matteo Fontana, General Manager for Financial Partners, FSA  
Roberta Russo, Regional Director, Financial Partners – Northern Region, FSA  
Yolanda Marshall, Audit Liaison Officer, Financial Partners, FSA